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EDITORIAL—SOME HIGHLIGHTS

I. General Economic Scene

State:

Drought and food grains shortage : It was after a century since 1876 when the North East monsoon's rainfall was 63 percent below normal, that the October-December 1974 rainfall this year was deficient by 62 percent. The worst affected districts by order of deficiency in rains are : Ramanathapuram 72 percent, Coimbatore 69, Nilgiris 68, Pudukottai 67, Thanjavur 64, Tirunelveli 63, Kanyakumari 63, Madurai 59, Tiruchi 57, South Arcot 52, Chingleput 50, Dharmapuri 44, North Arcot 43 and Salem 40. Relatively Salem, North Arcot and Dharmapuri face less acute conditions, though within these global figures. Salem by the beginning of January had expended Rs. 36 lakhs on deepening wells and relief works in its drought hit blocks, North Arcot faces severe scarcity in Wandiwash, Tiruvannamalai, Arni, Chengam and Polur taluks and in Dharmapuri the whole of Harur Taluk and 8 blocks in 4 taluks have been declared drought hit. The most seriously affected are Ramanathapuram, Coimbatore and Pudukottai districts where there is lack of drinking water, distress sales of cattle because of lack of cattle fodder, the withering of 90 percent of dry crops in Coimbatore and mass migration of families from Ramanathapuram, Pudukottai and even the drought stricken taluks of Tirunelveli to Thanjavur delta areas and other small blocks where cumbu and black gram have been saved. A severe reduction in the acreage under food grains cultivation and the loss of standing crops which will be referred to under the Agricultural section add to the distress. On the basis of the survey reports by the members of the Board of Revenue who toured all the districts (see last issue Vol. V page 70) supported by the visits of the two Union Ministries of Agriculture and Finance teams and the Union Minister of State of Agriculture, the government launched early in January an expanded emergency relief programme for Rs. 50 crores plus Rs. 10 crores in tax relief covering (a) Rs. 25 crores from the State budget and a Rs. 25 crores request from the Union budget, (b) overall direction of the programme by Mr. Karthikeyan appointed as Drought Relief Commissioner. (c) relief works to provide employment and increase people's purchasing power through (i) provision of drinking water in the villages, (ii) special minor irrigation works, (iii) road works and (iv) other irrigation and rural schemes through the Panchayat Unions, (d) fiscal relief for drought hit farms in the form of (i) total remission of land revenue, local cess and surcharge for wet, dry and manavari lands, (ii) postponement of land revenue arrears to the next fasli, (iii) conversion of short term co-operative loans into medium term ones, (iv) postponement of collection of co-operative loan repayments and (v) liberal loans by land development banks for deepening wells (e) compensation of Panchayat Unions loss due to this tax remission, (f) expeditious decentralised procedures whereby Panchayat Union Commissioners are

authorised to sanction works upto Rs. 5,000, Divisional Development Officers sanction between Rs. 5,000 and Rs. 10,000, District Collectors between Rs. 10,000 and Rs. 1 lakh, above which the Drought Relief Commissioner is the sanctioning authority (This kind of decentralization should not await the calamity of a drought (see Vol. III pages 555-556 and Vol. IV page 115) and (g) advancing all PWD works including SMIP maintenance and minor irrigation scheduled for 1975-76 being advanced now. By the end of January this special relief programme was in full swing. The immediate problem facing the 20 millions affected by the drought in the State is drinking water, which the deepening of wells and filter points programme will help alleviate, and the supply of rice and coarse grains. The Union Government increased the 5,000 tonnes monthly allotment of wheat to the State to 16,000 tonnes in January and 50,000 tonnes for February. The State Government is negotiating a similar monthly allotment till July/August, when the Kuruvai crop will begin to be harvested plus a monthly allotment of one lakh tonnes of rice during this period. It is also negotiating with Punjab and Andhra Pradesh for a provision of rice and is requesting the Union Government to import rice from Burma and Thailand where there are available surpluses. Also coarse grains are being imported into the State from neighbouring States. The rice and wheat allocations when received will cover the poor (ration card holders earning under Rs. 500 per month) only in the urban areas. The distress of the rural poor will not be met by these allotments and here there is need for a programme of establishing a rural distribution net work and feeding it with the levy and other marketed surpluses from the producing areas. The co-operatives, FCI and the State Civil Supplies Corporation which are to replace the wholesale traders (see last issue Vol V, page 70) must be geared to procure paddy and see to its distribution to the rural poor. This is even more urgent than the urban distribution system. The State Agriculturists Association is purchasing 10,000 tonnes of cattle fodder from Andhra Pradesh and running gruel centres in the worst hit areas. The price ceilings announced by the Government and commented on in the last issue, (Vol. V page 70) has, as predicted, led to the disappearance of rice supplies from the market. The Union Government has not given its consent to the system of price ceilings because, it points out, that unless backed by a buffer which does not exist, it will cause hardship to the people as it is doing now. In the present food grains scarcity situation facing the government and the people, the price ceilings scheme should be given up. Prices continue to rule high, with some increases in food grain prices at around Rs. 4 per kg. for open market rice.

Power: On January 10, the power cut in the State was increased from 40 to 60 percent for all industrial and commercial services and from 15 to 25 percent for essential services and newspapers. The agricultural sector because of the drought conditions and the urgency of food grains production was exempted and for domestic consumers the exemption limit was maintained at 250 units (see Vol. V pages 1 and 2). The 40 percent cut imposed from December 1, it was hoped would reduce consumption from 25 million units to 20 million units, but the agricultural demand has kept the consumption at 21 million units. On the other hand the supply has diminished to 18 million units due to (a) the irrigation reservoirs of Mettur, Papanasam, Kodayar, Aliyar and 13 others without the benefit of the North East monsoon being closed and the rapid depletion of the Kundah and Pykara reservoir resources, (b) only one of the 2

oil fired units at Neyveli functioning, so that it generates 190 MW against the target of 290 MW, (c) the reduction in Kerala power from 7 lakh units a day to 3 lakh units from January 1 and complete stoppage from January 12 and (d) the poor functioning of Ennore where against a capacity of 340 MW, only 40 percent of the capacity is being generated due to technical faults such as boiler leakage, the need to continuously weld the boilers, apart from the coal quality problem referred to in Vol. V, page 2. Singareni collieries have about doubled coal prices from Rs. 55.50 a tonne to Rs. 92, increasing the State Electricity Board's expenditure by Rs. 26.35 lakhs. As a result the surcharge on electricity charges on HT and LT supplies has been raised from 30 to 50 percent, leaving agricultural and consumers' charges unchanged. This depressing power situation is now becoming an annual feature. Temporary relief is being sought in the usual ways by obtaining power from Andhra during its slack period, by obtaining 2.2 million units of power from Karnataka in return for producing 10,000 tyres to be shared between the two States in the ratio of 70: 30, diveriting lignite from the briquetting to thermal generator at Neyveli and so increasing its generation by a further 200 MW and above all bringing Ennore upto full generation. The Union Ministry of energy has sent a team from BHEL, TATA's and its own consultants to carry out an engineering survey of Ennore's operational problems and in fact to set right the station and run it. But the long run remedy lies in a regional programme involving rapid execution of the fourth expansion of Kothagudem, of the hydel schemes of Andhra Pradesh with a capacity of 840 MW, of the Kalinadhi project in Karnataka, the second stage of the Iddiki project and of course the second mine cut at Neyveli. Only a joint approach by the 4 States will meet the power famine situation which has reduced the industries in this State to work for a mere 12 days in the month. This starves all the neighbouring States of the yarn, tyres, cement, engineering goods, and chemicals that they need.

In the Country's power situation, January saw the commissioning of two 110 MW units of the Kothagudem thermal station and the laying of the foundations for 2 more units of 110 MW each. This is a step forward in power availabilities in this region. On the other hand Maharashtra increased its power cut to 35 percent in January due to its declining hydel reservoirs. Punjab power cuts have been reduced from 20 hours a day to 4 hours a day due to the improved generation from Badarpur and Bhatinda but its industry continues to suffer a monthly loss of Rs. 10 crores in each centre like Amritsar. Erratic and unscheduled load shedding in Haryana gravely affects its industry and the power cut, due to turning down in the sixties of the setting up of power plants, continues at 60 percent. As against the country's target of 1,700 MW new generation during 1974-75, the ministry of energy reports achievements upto mid January of 1,044 MW and a target of 3,000 MW for 1975-76. But the overall power position continues the same with Delhi, Rajasthan and Kerala in surplus, Gujarat, MP and AP in balance and all other States in deficit. The 20 to 25 regional deficits mean an overall national shortfall of 15 percent, which is a serious constraint to industrial health, leave alone expansion. Further ministry statistics do not tell the whole story. The original target for this year was 2.12 million kws which has been scaled down for various reasons, including inflation, to 1.7 million kws. There is need now for a complete expert review of our generation, distribution and industrial, agricultural power allocation programmes, in order that we may plan and

direct our power resources in a more effective and optimal manner to meet the money competing industrial, agricultural and commercial demands.

Water Supply: Drinking water has become so scarce, that Madras City Corporation has announced, at the end of January, water supply only on alternate days to city consumers and plans are being developed to evacuate people in critically drought hit areas to areas where water is available. Of course this is part of a long term problem for the State and the country as a whole which will face water famine within the next 2 decades, making the planning and management of water availability and use urgent. An LIC loan of Rs. 4.55 crores in January to TWAD will open up water sources in 54 localities. For the city in addition to exploiting the 200 open wells to be sunk in different parts of the city, it is planned to tap water from the Palar, in addition to speeding up the Veeranam project.

Southern States Zonal Council: The last meeting of the Southern States Zonal Council was on June 30, 1973 in Hyderabad and was attended by the Chief Ministers of the 4 Southern States and of Pondichery and the Prime Minister. (see Vol. III p. 549) The Council met again after 17 months on December 31 at Trivandru mand discussed a number of subjects, without touching some of the major urgent areas such as power, water, food grains and transport. Its attendanee was poor with only one chief minister present, and in the case of one State not even a minister was present. The meeting exchanged views on the power cut in the States and suggested exempting fertiliser plants, and discussed the anti-smuggling drive, education of scheduled castes and linguistic minorities, the problem of the migration of the cashew industry from Kerala to Tamil Nadu due to differing wages and the preference given to employment of local persons. It was only on this last point—'the sons of soil' employment practice that there was agreement that the Union Government should issue uniform guidelines on this issue of giving preference to employing local persons in enterprises. There is need to revive the functioning of the Council, arrange for its twice a year, if not quarterly, meeting, and ensure attendance by Chief Ministers, so that the major issues facing all the Southern States become of the subject of regional co-operation. It is surprising that the burning issue of the Cauvery Valley Authority (see Vol. V page 3) was not ever referred to. Pondicherry, because of Karaikal being in the Cauvery delta, has requested that it be included in the Authority. This will have to be discussed by the 3 States.

Transport: Tamil Nadu and Karnataka are extending and modifying their transport agreement of May 1973 (see Vol. III page 473). The new draft proposes that each State will operate transport services on six new routes. The Pallava Transport Corporation has programmed the purchase of 2,800 additional buses at a cost of Rs. 33.6 crores during the Fifth Plan, a part of which was realised (see last issue Vol. V page 73). Its current fleet strength is 1,774 and its peak load is near 200 percent against a 61 persons capacity. An annual 10 percent replacement of its fleet together with increased depot and terminal facilities, workshops, staff housing and expanded suburban services are part of its good development plan. The Madras port traffic handling is continuously improving, as noted in the last issue. In December it cleared 8.12 lakh tonnes, the previous highest being 7.47 lakh tonnes in November 1973, The pre-berthing delay of vessels has been reduced from 2.7 days to 1 day and the turn around from 3.6 days to 1.6 days,

which has led to the deferment of the threatened conference lines surcharge. These gains will be conserved when the Rs. 8 crores 1,000 metre arm on the east outer Harbour is completed by October to protect the turn around of big ships during the monsoons. In January there has been some slow down of traffic handling due to the dock workers strike referred to under the employment section. The Bharathi dock (oil Berth) is proceeding on time and will be completed by October.

MMDA: The Madras Metropolitan Plan (see Vol. III pages 90-91) was reviewed in a 2 day Seminar in January. The plan is still largely a well conceived paper Plan. Its objectives were endorsed which will keep Madras population which is now 2.5 million at 3 million in the next 20 years, and develop self contained urban nodes with 2-3 lakh population each plus a number of satellite towns. The urgent problems of water supply require not only the Veeranam project but also co-operation with Andhra Pradesh for obtaining the Krishna waters. On transport there should be priorities—first widening the 3 national highways, second the development of electrified suburban railways, third the ring railway from St. Thomas Mount to Tiruvottiyur via Ambattur and Manali and last the underground facility. The major recommendation of the seminar on regulated land use through setting up a land bank and revolving fund to acquire and develop land for industrial, residential and other uses is an old project and should be acted upon to make effective minimal town planning. The relocation of the wholesale market now at Kotwal street is another priority. In view of the estimated cost of Rs. 900 crores which should be increased by 10 percent at current prices and the resources constraint we face, it is necessary to make a start with the small resources on hand on the basis of a system of priorities.

Dearness Allowance and Family Benefit: The Government, on the basis of the report of the special committee on DA and even going beyond it, announced on January 10, an increase of Rs. 10-30 in DA to 7 lakh employees—State government, local bodies and aided school teachers—and a Rs. 7 increase in the honorarium of village officers and servants, costing the State Rs. 12 crores in a full year. This takes effect from 1 February 1975 and not 1 April as recommended by the Committee. LIC has now associated itself with State Government's Family benefit scheme (see Vol IV pages 623 and 669) under which the government would pay an annual premium of Rs. 67 lakhs to provide half the Rs. 10,000 benefit on death payable to the 4.18 lakh employees of the Government and muncipalities. LIC will also return 90 percent of profits through reducing the payable premium.

Housing and Tourism: The Harijan Housing and Development Corporations (see last issue Vol. V page 71) completed construction of another 5,000 houses in February. The Annual Pongal Trade Fair, portraying the departmental activities, the Kattabomman fort, the Iyyanars, the Visweswaraya tower and a model of metropolitan Madras opened in early January and is proving to be an attraction to tourists from the State, country and outside. It might be developed into a permanent exhibition for tourists.

National :

Fifth Plan: With the reorganisation of the Union Planning Commission and the assumption of office of the new deputy chairman in January, the process of finalising and restructuring the Draft

Fifth Plan is lengthened and it is not till around mid year, that all the internal and external factors will be assessed and the plan finalised. January was the month for discussions and negotiations between the Union Planning Commission and the States and the Union Ministries concerning the Second Annual Plan (1975-76). The discussions are based on and bring out certain basic elements: (i) On the resources side there must be some additional resources mobilised during 1975-76 in order to maintain the real level of the 1st annual plan target and pay the Dearness Allowances that will accrue (unless the Pay Commission formula is revised, if in 1975-76 there is only an 8 percent rise in the price level which is around 1/3 of this year, 16 DA instalments will become due, involving for the Union and State Governments an expenditure of Rs. 800 crores. The Pay Commission formula was devised before the current phase of hyper inflation and should be revised). In any case the Union Government must raise Rs. 500 crores in additional taxation and the States a slightly larger amount through taxing agriculture and adjusting power and irrigation rates. (ii) Absolute priority should be given to agriculture, particularly food grains production and power generation in the State Plans and a lower priority to oil, coal, transport and fertilisers, as well as food grains and power in the Union sector. (iii) Maximum utilisation of existing capacity, providing balancing equipment where needed for this purpose and completing quickly projects which are in an advanced stage of execution should precede new investments and new enterprises. (iv) Finally all this means that the second year plan will not be much more than the Rs. 4,884 crores of this year's. In performance terms, this year will probably end at Rs. 4,500 crores, but the additional Rs. 384 crores will not compensate for the 20 percent rise in prices, and so depending on the State's plans to raise additional resources the State's share should be raised from this year's Rs. 749.94 crores to Rs. 800-850 crores, while the Union ministries' plans are maintained at the current year's levels. The final stage of the Second Plan—in terms of targets, resources, expenditures, —will be known by mid February for inclusion in the Budget for 1975-76 to be presented to Lok Sabha on February 28. Current Second Year plan discussions are rightly based on this year's financial limits for both the States and the Union ministries.

Prices and anti-inflationary measures : The index number of wholesale prices for the week ending December 28 stood at 315.3, compared to 316.1 on December 21 and 318.3 on November 30 (which is the revised figure, see last issue, Vol V page 74). This means that wholesale prices continued their decline during December, being 0.3 percent lower during the week ending December 28 and one percent during the month. During the week, the largest decline took place in raw tobacco prices from 295 to 284.6 points, while rice which during the month declined from 355.8 to 343.8 registered an increase from 343.4 to 343.8, as did raw cotton which was 308.9 compared to 273.5 the previous week and 289.2 the previous month. The other items held more or less steady. Looking at the year 1974, the price rise for the year was 18.6 percent compared to 26 percent during 1973. Till September 21 when the index stood at the highest at 330.4, inflation was at the annual rate of 32 percent, while from October the rate of increase has slowed down, the year end recording 315.3, a decline of some 5 percent during the 3 month period. Retail prices have declined as yet but marginally with same price rises recorded in the month. Phosphate fertilisers went up by 7 percent to Rs. 20 per tonne, man made fabrics prices went up by 25 percent and the effect of the shortfall in Kharif oil seeds

is leading to a price rise in edible oils. The anti-inflationary measures are continuing, with action against smuggling and hoarding under the legislative Acts, including an order on January 21 imposing restrictions on the removal of excisable goods from factories and warehouses during the month of February as a means of preventing hoarding and price manipulation before the budget is introduced at the end of February. The selective credit controls continue in regard to food grains, oil seeds, fertilisers and cotton. In addition in January, the RBI reduced the ceiling on company deposits from 25 to 15 percent. During December scheduled commercial bank credit increased by Rs. 40.22 crores, bringing the total credit expansion during the 1974-75 busy season to Rs. 208.5 crores compared to the 1973-74 two month busy season expansion of Rs. 559.13 crores. Food procurement advances at Rs. 213.46 crores were about equal to commercial sector credit at Rs. 231.07 crores during this period, while deposits during the 2 months increased only by Rs. 233.50 crores, compared to the previous busy season's increase of Rs. 430.81 crores, mainly due to slow down in demand deposits. There is a correlation between slow down in credit expansion and demand deposit increases. Despite the 80 percent increase in customs collection as at December 1974 and the Rs. 200 crores cut Plan expenditures (see Vol. IV page 582), the deficit financing of the government, as seen in the RBI weekly statements, touched Rs. 789 crores during the first nine months of 1974-75 compared to Rs. 290 crores in the previous year, which will have to be brought down considerably when its aid, sugar profits and final tax payments are in, if it is to stay at the budgetted deficit of Rs. 126 crores. At this stage, the large deficit seems to be due to losses in the public sector enterprises. Another negative element is that 2 States have started again on RBI overdrafts. By mid January this amounted to Rs. 100 crores. One uncertain element, however, has been resolved. On January 25 the government announced its DA decisions which is to pay 3 instalments with effect from June 1, July 1 and September 1, 1974 at 4 percent for Rs. 300 earners and 3 per cent for the others. The cost of this is Rs. 98 crores out of which Rs. 49 crores is impounded under the compulsory deposit scheme (see Vol. IV page 583), Rs. 37 crores paid into the provident funds and only Rs. 12 crores paid out in cash. There are also 3 further instalments due, when in accordance with the pay commission recommendation the average price index of 272 was crossed, as on October 1, November 1 and December 1, which is due to be negotiated in the middle of March, hopefully on the basis of a revised formula. For now the government has technically stayed within the DA budget provisions of Rs. 120 crores in the spring budget and Rs. 112 crores in the monsoon budget (see Vol. IV pages 263 and 582). The total outgo on DA upto September 1974 amounts to Rs. 262 crores, of which Rs. 37 crores is paid into the provident fund, involving a cash expenditture of Rs. 225 crores, against the budget provision of Rs. 232 crores. This is the best that can be done in a difficult situation and the co-operation of the govenment employees has made it possible. Such co-operation will be needed in the next round of DA negotiations, which will be eased if the anti-inflationary measures continue and have an impact on retail prices. The improved industrial performance, the prospects of a good rabi harvest and the import of 5.5 million tonnes of food grains will also have their effect in keeping prices down.

State of the Economy: The question of recessionary trends in the economy continues to be debated. The government continues to hold the view that there is no

recession and the major issue facing the economy is inflationary pressure. Its view that recession can only characterise an industrialised economy must be tempered by the prolonged stagnation which our agricultural sector has experience, of which evidence is provided in the revised net National income figures for 1972-73. The government refers to the increased production record in July-September 1974 of 13 groups of products from finished steel and coal to cement, paper and electricity as contrary evidence but there was a fall in demand for automobiles, textiles, plastics machinery where the units are using, as a result, only 40 percent of their capacity. (see last issue Vol. V page 76). As against the continued activity in the building industry including cement, bricks and tiles production, there is increase in stocks of steel and cotton. The evidence of the capital market is in effect a recession warning. Total capital issues declined from Rs. 93.1 crores in 1972 to Rs. 72.5 crores in 1973 and was down to Rs. 60 crores in 1974, the number of capital issues declined from 34 in October-December 1973 to 10 in October-December 1974 and share values declined by about 50 points to 117.2 during the second half of the year. A good deal depends on the performance of the rabi crop. Further the Union Government is planning to provide incentives to new key sector such as steel sections, sugar, and possibly cement and paper units plus some relief from excise taxes, even if not the 100 percent recommended by the official committee. CSO announced in mid January the revised estimates of the National Income for 1972-73 which instead of showing a 0.4 percent increase as indicated in its "quick" estimate (see Vol. IV page 625), shows a decline of 0.9 percent over the previous year and of minus 3.2 percent in per capita income. This decline in national and per capita income was due to the 7.8 percent decline in agricultural production. At current prices, the "quick" estimate for 1973-74 shows a national income of Rs. 49,290 crores and a per capita income of Rs. 849.8 (the per capita income for 1972-73 at current prices was Rs. 698.2). On trends, CSO notes that national income increased on an average by 3 percent from 1960-61 to 1972-73, the primary sector's contribution declining from 52 percent in 1960-61 to 44 percent, the secondary sector increasing from 19 percent to 23.3 percent and trade and transport from 14 to 16.6 percent. Domestic savings at current prices have increased from Rs. 1,324 crores in 1960-61 to Rs. 5,140 crores in 1972-73, domestic capital formation increased from Rs. 1,805 to Rs. 5,441 crores. The decline in foreign aid is seen in the decline in the difference between saving and capital formation. Thus rates of saving and capital formation have been 11.6 and 12.2 in 1972-73 compared to 10.4 and 11.5 percent in the previous year. The RBI study (October 1974 Bulletin) shows that for 1,650 large and medium public limited companies, gross capital formation fell from 9.2 percent in 1971-72 to 7.6 percent in 1972-73. Public sector performance shows its total savings increasing from Rs. 309 crores in 1960-61 to Rs. 814 crores in 1972-73, while gross capital formation increased from Rs. 1,142 crores to Rs. 3,604 crores indicating the income deficit over the period. In government expenditure in 1970-71, 30 percent was on economic services, 10 percent on defence, 16 percent on education, 4 percent on housing and 3 percent on health. On general government expenditure it was a high 16 percent. In capital expenditure, however, 59 per cent was on economic services.

National production front :

Industrial Growth : As referred to in the previous section, the industrial growth

rate from April to November 1974 was around 3 percent, the output in the public sector increasing by 13 percent and with a further spurt in December, the rate increased to 4 percent for the period April to December 1974, according to the ministry of industrial development studies. This is still far from the target of 7.5 percent for the year, the improvement being due to the good performance of many public sector undertakings, where the ministries have helped to remove bottlenecks, maintain a monitoring system and improve raw materials availability (zinc ingots by 138.4 percent, lead by 58.1 per cent, saleable steel by 10 percent and coal by 8 percent). In spite of electricity generation increasing by 6 percent, power continued to be a bottleneck. Production declined during the nine months in chemical fertilisers, automobiles production, vanaspati (down by 29 percent) and some decline in cotton yarn. These trends will have to be revised if the small target for the year is to be attained. The government is planning to allow the public sector undertakings to accept fixed deposits from the public to augment their resources. It has also arranged as from the end of January for industrial undertakings to maximise capacity utilisation. By working multiple shifts on the basis of (a) the relative priority of the industry, (b) the availability of imported and scarce raw materials (c) eligibility to participate in such industries, and (d) contribution to exports and public distribution. This measure should keep in further expanding industrial production this year and the next.

Steel: It will be noted that in the Second Year Annual Plan discussions, steel has not been mentioned among the priority areas, as were agriculture, power, coal, oil and fertilisers. There are technical and policy considerations for this shift. On the technical side, the cost of expanding Bhilai has increased from Rs.520 crores to Rs. 960 crores and Bokaro from Rs. 758 crores to a figure not yet computed. There are no resources available to meet this high escalation. Second the steel plants except Bhilai are producing far below capacity, and so the first task is to get them to produce to capacity before expanding. This is a double edged consideration, because units like Bokaro, which started with a blast furnace in October 1972, two steel converters and slabbing mill in 1974, and a third coke battery and second blast furnace under commission, taking its capacity upto 1.7 million tonnes in the first stage will be losing Rs. 20 crores a year till the capacity is expanded to 4 million tonnes to be attained when its second stage is completed. Its third stage of 10 million tonnes is now a distant dream. A third technical issue is the glut in steel supply at present and the dangers of over supply if the plants really worked to capacity. Fourth the current criteria of early production results of investments gives steel a lower priority. A fifth technical factor is that steel equipment producing industries to meet the expansion of the plants require large financing, with 23 percent of their vast sum to be paid in advance and there is just not available these resources. There is also the policy issue. So far all planning and analysis including that in this Bulletin has been based on accepting the Fifth Plan target of 17.5 million tonnes (against the existing capacity of 10.6 million tonnes) itself derived from the NCAER estimate of 38 million tonnes of steel demand by 1983-84 (see Vol II No 9 pages 9 and 10). In view of the commitment to concentrate on goods of mass consumption (wage goods) and the intermediate and capital goods needed for that purpose, it is necessary to re-examine this estimate of the steel target for the Fifth Plan and the Sixth Plan. In any case the steel allocation for the Second Annual Plan has been reduced from Rs.411

crores requested by the Steel Ministry to Rs. 300 crores, with the Bhilai expansion cut from Rs. 85 crores to Rs. 45 crores, which will delay the attainment of the 4 million tonnes expansion target by 2 years beyond 1978-79, and the Bokaro allocation reduced from Rs. 155 crores to Rs. 135 crores. Also the captive power plants for Bokaro and Bhilai are not provided and they will have to rely on their existing sources. As noted earlier, steel production for the first 9 months of 1974-75 has increased, ingot steel at 4.5 million tonnes (increase of 0.2 million tonnes) and saleable steel at 3.5 million tonnes (by 0.3 million tonnes). IISCO's December production was a high 75,321 tonnes of ingot, while TISCO's record was mixed, with an increase in saleable steel but decline in iron and ingots production. SAIL's new marketing and supply system is working well. The stocks at Bhilai, Rourkela and Durgapur have fallen from 2.8 lakh tonnes in May to 1.71 lakh tonnes, in part due to the stream lined marketing procedures, keeping touch with the demand and adjusting the product mix and the revised distribution system under which the 800 consumers get their steel supply directly from the steel plants. This has involved reducing the 1,200 destinators to 55 base points with 17 destinations. SAIL has also taken over in January the canalising of steel imports from HSL. Also the government has decided from January to stop setting up new general steel casting units in the country, because of the difficulty of servicing existing units.

Crude : Petrol consumption in the country has declined by 35 percent due primarily to the increase in its price. Naphtha stocks continue to accumulate in the refineries and it is hoped with the working of the refineries to capacity and the commissioning of Mangalore and Tuticorin refineries, the stocks will be used up. Fuel oil demand has declined by 15 percent, resulting in large stocks in the refineries, and raising the question as to whether its use need to be controlled. With the rise in its price from Rs. 279 to Rs.654 per kilo litre between November 1973 aud September 1974, and the easier availability of coal which costs half as much as fuel oil, the drug, cement, steel, textile, chemicals and even power houses have switched to coal, the internal fuel oil production of 2.5 million tonnes and imports of 2 million tonnes must be planned to be used in the fertiliser and power plants. In the long run, the output of petrol, naphtha and fuel oil must be more carefully planned. On the price front, the OPEC Vienna decision (see last issue, Vol V page 78) on a uniform price makes crude purchased by the government from the oil producing governments cheaper by 13 cents a barrel because of the 60 days credit provision allowed by the suppliers, which would save Rs. 12 crores if all 15 million tonnes were imported from Gulf countries. On the other hand the foreign oil companies are keeping their price options open because they claim uncertainity regarding taxation in producing countries. Every 2 cents rise in their prices above the current $10.67 per barrel for Burmah Shell, $10.47 for Caltex and $ 10.42 for Exxon on the 7 million tonnes that they import will mean an additional Rs. 1 crore. For the current year our crude import will be 13.7 million tonnes plus 3 million tonnes petroleum products. For next year the forecast is that 15 million tonnes of crude and 3.5 million tonnes of products will have to be imported. Indications to date are the government imports will only be 9 million tonnes (Iran 3.9 million tonnes, Iraq 2.8 million tonnes, Saudi Arabia 1.1 million tonnes and UAE 1.2 million tonnes) which means that we will continue to rely on the foreign companies to the extent of 6-7 million tonnes, and to be able to take advantage of the savings from direct government imports, nor proceed very far with

nationalising the 2 remaining foreign companies, where the delay in take over has already cost the Country good deal. Under these conditions the immediate remedies with regard to crude should be to (a) purchase and import as much as possible from the Gulf countries, particularly Saudi Arabia where freigt costs are the lowest. In this regard the decline in the demand from Europe for crude resulting in an increase in 1974 of output by 0.8 percent compared to the annual 7 to 10 percent in previous years, might make more crude imports by government possible. Also the IMF oil facility for India has been increased from 400 SDRs last year to 670 SDRs this year and this will help, (b) the government should finalise the take over at an early date of the 2 foreign oil companies and remove the price uncertainty they represent, (c) there should be better planning of the output and use of crude and its products in relation to the Country's industrial and agricultural demands, (d) and above all the programme of internal crude production and oil exploration should be pursued more vigorously. In this regard January recorded 2 gains. First, the biggest gas field in the country was discovered at Barmura in Tripura, where extraction on a large scale will be started when the 2 American and 3 Rumanian rigs arrive. Second a third well in Bombay High, indicating a sizable quantity of oil, has been struck which makes realisable the production of 10 million tonnes of crude per year when commercial operations are launched. In addition the government is negotiating contracts with US and Canadian firms for exploration in the Cauvery offshore basin, and is also discussing with other foreign firms offshore exploration in Andamans coast, the Mahanadi offshore area of Andhra Pradesh and the Saurashtra areas. For its offshore exploration programme, the povernment is negotiating with American and French firms for collaboration in the construction of off shore fixed drilling platforms at Nhava Sheva and in Maharashtra and is scouting the market in Australia and Japan for drilling rigs. There is urgency to increase the internal production of crude which now is confined to on-shore oil production, which this year will be 4.53 million tonnes and next year 5.3 million tonnes. Bombay High will begin to yield one million tonnes in 1976 and by 1978 when 4 wells should be operating should help in making the country self sufficient in oil.

Coal : The April-December 1974 coal production was 62.44 million tonnes, compared to the first 9 months in 1973-74 of 56-77 million tonnes, with the monthly rate increasing from 6.5 million tonnes in April to 7.7 million tonnes in December. CMA increased production from 4.6 million tonnes in April to 5.4 million tonnes in December, and Singhareni went up from 5 lakh tonnes in April to 5.99 lakh tonnes in December. At this rate this year's target of 88 million tonnes (up by 10 million tonnes over last year) will be obtained, as a result of the reorganisation and modernisation of the mines. For next year the target is 98 million tonnes and the Fifth Plan target has been raised from 135 million tonnes to 145 million tonnes to meet the increasing demand for coal, replacing oil at the fuel base as noted earlier. For the first 2 years of the Fifth Plan, an investment of Rs. 292 crores is being made in mining equipment mainly. The Ministry of Energy estimates that the total demand for coal is 90 million tonnes but given the fact that railways are still continuing to cancel trains because of the lack of steam coal and the thermal stations are still short of good quality coal, there is either poor distribution or the demand for coal is much larger. The States governments' total amount is a daily 1,700 wagons of

steam coal but the availability from the coal fields is only 700 wagons. There is also the poor quality of coal which is damaging Ennore and thermal plant boilers, though the supply of slack coal to thermal stations—Trombay, Barauni, Sabarmati, Bodarpur, Bhatinda and Faridabad has increased from 1,717 wagon loads last year to 2,236 wagons this year. The coking coal position is open to improvement. The Energy Ministry claims that 15.8 million tonnes was produced last year and is planning to produce 32 million tonnes by rhe end of the Fifth Plan. The steel plants which require 12.29 million tonnes, have been getting only 11.31 million tonnes, so that here too there is a leakage. With the decision to invest Rs. 60 crores (out of the Rs. 292 crores) in BCC in the first two years of the Plan, going up to Rs. 200 crores, the major part of which will be equipment to be produced by MAMC, HEC and Garden Research, the ten member Committee appointed at the end of January should help to review and improve coal supplies to the steel plants. The increase in Singhareni coal prices was referred to earlier. This may be a precursor for a rise in coal prices.

Cement, textiles, cars and Vanaspathi : Cement production is running at 15.2 million tonnes this year (up from 14.6 million tonnes last year) against a target of 18 million tonnes, but with the cement control order restricting the use of cement for one year in public and private sector construction, cement demand has fallen by 20 percent, and the open market price reduced from Rs. 41 per bag to Rs. 19 per bag. The excess can be exported at the high price of $ 35 a tonne. Cement production in Tamil Nadu has been seriously affected as will be analysed under the State section. The government is giving priority for the completion of cement production projects so that in 1975 there is an additional capacity of 1.75 million tonnes and beyond that new units are offered a capital base of Rs. 625 per tonne of installed capacity (against the requested Rs. 700) in order to attract more investment. On the textile front, the policy to liberalise the expansion of mills was announced at the end of December, continuing the limit of 25,000 spindles, which can be increased under certain conditions in order to increase the supply of free yarn to the decentralised sector and increase the output of coarse and medium cloth. For the quarter January-March, the export cum controlled cloth obligation on mills has been raised from 30 to 36 percent to meet the expected shortfall in controlled cloth output. In January price controls were lifted on two commodities. Vanaspathi whose licensed capacity is 17 lakh tonnes and installed capacity 12 lakh tonnes per year with demand at 5 lakh tonnes has been free from price control imposed in September 1968, because the price could not be kept down by the import of cheap raw oils, which have risen sharply in price. Now the excess of capacity will keep prices down. The other article where price controls have been removed is automobiles. The pricc control has been lifted on all 3 cars—Ambassador, Standard and Premier—and only on the last which has a back log of demand order is the distribution control continued.

Agricultural production : By the end of January, Kharif cereals procurement was over 2 million tonnes (rice 1.9 million tonnes and coarse grains 1,33,000 tonnes. The main contributor was Punjab whose contribution of 6.8 lakh tonnes came out of a kharif production of 21.5 lakh tonnes, followed by 3.3 lakh tonnes from Andhra Pradesh. The agricultural ministry's tentative estimate for kharif production is 63 million tonnes. Because of timely

rains in late December and early January, particularly in the wheat areas of Punjab. Haryana, Rajasthan and U.P., a rabi harvest of 43 million tonnes is expected, compared to 37 million tonnes in 1973-74. 38 million tonnes in 1972-73 and 42 million tonnes in 1971-72. In fact the agricultural ministry sent out expert teams to the wheat areas to advise on the growing crop and has helped in making available fertilisers, seeds, power and other inputs in co-operation with the energy and petroleum ministries and for this purpose operates a co-ordinating cell to push along the rabi cultivation effort. UP reports increase of irrigation facilities from 43.27 lakh hectares last year to 49.67 lakh hectares this year, 1.7 lakh tonnes of distributed fertilisers and increase of HYV over 5 lakh hectares over last year's 60.5 lakh hectares. As a result it estimates a record rabi harvest of 134.5 lakh tonnes, including 88 lakh tonnes of wheat. Rajasthan also estimates that it will have a bumper rabi harvest over its 40 lakh hectares yielding 42 lakh tonnes. Haryana launched a crash programme for extending irrigation facilities to chronically drought affected areas by storing flood and rain water at various points, so that rabi prospects over its 9.4 million acres are good. The agricultural ministry also reports an increase in last year's potato production by 1.75 lakh tonnes to 46.25 lakh tonnes mainly as a result of a good crop in UP, Punjab, Maharashtra, West Bengal and Gujarat over 5,32,900 acres. On the other major tuber crop. tapioca, there was a small decline to 63.58 lakh tonnes, mainly due to reduced production in Kerala, made up to some extent by Tamil Nadu and Andhra Pradesh. In view of the shortage of foodgrains, tuber crops are emerging in Tamil Nadu as a food crop as it is in Kerala. During the current year total food grains imports will be between 5.5 to 6 million tonnes (U. S. 3.78 million tonnes, EEC 5,00,000 tonnes, Canada 3,80,000, Argentina 2,54,000, Australia 2,00,000 tonnes plus 4,36,000 tonnes of milo from Argentina), raising the food subsidy from the budgeted Rs. 225 crores to Rs. 260-270 crores. The U. S. is providing 3,00,000 tonnes of wheat under a long term credit repayable in convertible currency. Negotations are under way to increase this amount to 5,00,000 and to 1 million tonnes. With this supply situation—a good kharif and rabi harvest—and large import of wheat-the public distribution should be fed fully, should not break down at any point and should meet the food needs of the poor majority. There is some question about the government's import of fertilisers at high prices, at a time when there are large supplies and prices are falling internationally. The expenditure of scarce foreign exchange needs to be undertaken more wisely. The prospects for the cotton crop are also bright and will exceed the 60 lakh bales of last year. The Rajasthan canal area has large potential for growing cotton and can make the Country self sufficient in medium staple cotton. Altogether January was a hopeful month for agriculture in the Country, with the exception of Tamil Nadu and Gujarat.

Exports : Despite the Country's expanding export trade which for the first seven months, April-November 1974, increased at 36.2 percent to Rs. 2,026.8 crores, the Country's imports increased even faster to Rs. 2,451.3 crores, widening the trade deficit to 4 times what it was for the first 7 months of 1973-74 at Rs. 424.5 crores, compared to Rs. 105.2 crores in the previous year. The increased import burden is due to the high prices of food, fuel and other essential imports, which despite the addition of $ 900 million in aid commitments during the period and the drawing down of Rs. 550 crores from IMF, records a decline of Rs. 132 crores in the country's

foreign exchange reserves at the beginning of 1975. On the exports side, a number of items showed an expansion. Sugar earned Rs. 220 crores between April and December 1974, compared to Rs. 22 crores during the previous year. Cotton textiles during the first 8 months earned Rs. 225.68 crores, surpassing the year's target, with the possibility of reaching Rs. 300 crores for the year, due to the increase in world textiles demand, the lower availability of world raw cotton, the competitive price of Indian textiles, the cotton conversion deal with the Soviet Union, the increased exports to U.S., U.K., Australia and New Zealand and the opening of new markets in Japan, Bangla Desh Libya and Iran. Under these conditions, the Rs. 17 crores of cash incentives due from the government to cotton textiles and yarn exporters over the past 15 months should be quickly settled. Engineering goods exports also increased by 66 percent to Rs. 137.49 crores during the period April-October, the month of October registering a record export increase of 188 percent at Rs. 31 crores. The increase is due both to increased unit value and increased volume except in 4 items. Wagons exports have declined. The long standing Yugoslav order (see Vol III pages 179 and 635) was finally settled with an increase in the price from Rs. 1,14,000 per wagon to Rs. 1,56,000 and a cut back in the number of wagons to be delivered from 3,000 to 1,300. Cement machinery orders have also declined and last year's level of Rs.1.5 crores will not be reached. Boilers and coaches exports are also on the decline. But engineering exports as a whole will probably surpass this year's target of Rs. 250 crores. Electrical equipment exports are expanding and will go beyond last year's Rs. 28.34 crores. Silk exports though registering a 12 percent increase in 1974 in value terms declined in quantity mainly because Indian Silk prices remain high while world prices are declining. After 40 years of protection, the industry must now be made to be competitive internationally, HMT is girding itself to expand its exports of machine tools and allied products to attain a target of Rs. 12 crores annually, which is an increase of 25 percent over the present level. One item where expo ts are declining is carpet backing to the U.S., where due to the recession, a sharp decline in construction, continuing inflation and cut back in inventories due to the credit squeeze, exports have dwindled from 15,000 tonnes a month to 1,600 tonnes, and the value declined from Rs. 105 crores in April-December 1973 to Rs. 75 crores in the nine months of 1974-75. But with the higher sales of hessian and other varieties to USSR and other contries, the year's target of Rs. 275 crores will be reached. Again in response to the increasing and stable demand for leather goods in US and Canada, and the stagnant and declining demand in West Europe and U.K., leather goods exports are being increasingly diverted to the former countries. The trade agreement between India and USSR for 1975 envisages a Rs. 100 crores increase in turnover to Rs. 700–750 crores, mainly through the Soviet Union's supply of 1 million tonnes of kerosene, 0.2 million tonnes of diesel, 3,35,000 tonnes of fertiliser and 10,000 tonnes of raw cotton. For the present the cotton conversion deal has not been renewed because of disagreement of price and conversion methods, but a Rs. 7 crores order for Indian aluminium cables have been accepted. The new agreement will right the higher exports from India which was Rs. 320 crores in 1973 and Rs. 420 crores in 1975. An important development in the export field is the unanimous agreement of the preparatory committee of iron ore producing countries (see Vol. V page 14) meeting in New Delhi in January to (a) adopt a constitution for the association which will promote co-operation among member coun-

tries, secure fair and remunerative prices and help in processing and marketing of the ore, keeping in mind the interests of the importing countries. The Association will come into existence on April 2 and 3, when the ministers meet in Geneva to ratify these recommendations.

Aid: In January Iran and India agreed that Iran will provide $ 350 million for the development of the 600 million tonnes Kudrimukh iron ore project, under which India will export to Iran every year 7.5 million tonnes of iron ore pellets for 20 years. The World Bank announced a loan of $ 109 million to help in the construction of the 2,30,000 tonne nitrogenous fertiliser plant at Phulpur (UP) at a total cost of $ 200.5 millions. The plant will become operational in 1978. In addition negotiations were completed with IDA for a soft credit of $ 200 million to finance industrial imports during 1975. Of this credit $ 100 million is to be made available immediately and the other 100 million when IDA's fourth replenishment is completed. In addition an IDA credit of $ 45 million is to be available for the Godavari barrage scheme in A.P. With this the World Bank's aid to India in 1974-75 will be $ 753 millions. $ 592 million IDA credit and $ 161 million bank loans). Further to the $ 50 million emergency aid offered by EEC in December (see last issue Vol. V page 84), a second $ 50 million under the same EEC programme is being made available in January. U.K. also under the emergency programme gave India in January a £ 20 million interest free non project loan, which is in addition to £ 75 million pledged at the Aid India consortium in 1974 (see Vol. IV page 489). India in its turn concluded an agreement with Mauritius in January offering Rs. 5 crores as a soft loan for financing a number of projects and a commercial credit of Rs. 10 crores for setting up industries in Mauritius.

International

Bangla Desh : As the new trade agreement with Bangla Desh goes into effect (see last issue Vol. V page 84), some of the left overs of the previous agreement need to be cleared. One such is the export of 6.6 lakh tonnes of non coking steam and slack coal by India to Bangla Desh. On the basis of the present transport arrangements, only 4 lakh tonnes will have been delivered by February end, when the old agreement expires. The balance should be despatched by using all four modes of transport, vessels, barges, truck and rail.

Pakistan : At the end of December, a severe earthquake in North Pakistan affected 97,000 people, killed 5,300 and injured 17,000. The Government's urgent relief efforts were aided by other countries, including India which contributed 2,000 blankets and Rs. 2.5 lakhs of medical supplies. On January 15, India and Pakistan signed an agreement in Delhi to resume shipping services between the 2 countries carrying cargo and being accorded the most favoured nation treatment. On January 23, a further agreement on trade was signed between India and Pakistan in Islamabad valid for one year, renewable for a further 2 years. The trade will be on a government to government basis and will be in convertible currencies. Pakistan is interested in importing from India rail track materials, coal, steel, jute manufactures and tea—India is interested in importing from Pakistan rice, coarse grain and cotton. In early January, the government reduced the import duty on Pakistan cotton by 25 percent so that Pakistan cotton prices are now on a par with Indian cotton prices. Towards the end of January, a team from Pakistan was in Bombay negotiating the sale of Pakistan cotton.

World Monetary Reform : The January meeting of the Interim Committee of

IMF made 6 important decisions within the frame wotk of their mandate for developing a reformed monetary system. First the official price of gold was abolished, as was the obligation of IMF members to pay one fourth of the IMF quotas in gold. This ends the monetary role of gold which now becomes a commerical metal, which enables countries and central banks to deal with it as a valuable commercial metal. The history of this historic decision begins in 1970 when the free market price of gold was divorced from the official . price of $ 35 an ounce (see Vol. II, No. 2 page 1), to the next stage when central banks were allowed to sell all or part of their gold. The U. S. used this option to auction in January, 7.5 lakh ounces of gold ($ 100 million) at $ 165.65 an ounce and in the process gold prices fluctuated violently during January between $ 170 to $ 182 an ounce. Despite inflation, unemployment and recessionary trends in the economy, there was no great rush on the part of the US public to purchase gold. A third stage was the use of gold as guarantee for inter-Governmental loans, a device used by Italy in obtaining 2 billion marks from Germany on the basis of its gold holding valued at $ 120 an ounce. The prefinal stage was the January revaluation of its reserves by France at $ 160 per ounce. The way in which gold has been demonetized and the freedom given to the countries to use their gold stocks as they see fit helps the developed countries who hold large gold reserves, and not the third world countries who hold small slocks. Also if more countries follow the example of France, they will add to the world inflationary spiral. The IMF gold holding of $ 6 billion are now worth $ 25 billion and the means of their disposal have to be worked out. The second important decision was that the subscription quotas of the developing countries will be the same bnt the quotas of the oil producing countries will be doubled. This is right and will also give the developing countries somewhat of a greater say in the world monetary system. A third decision was to continue and enlarge the IMF. "oil facility", increasing it from last year's 3 billion SDRs to 5 billion SDRs to be available to countries facing balance of payments difficulties as a result of increased oil prices. The facility will be formed by contributions from the oil producing countries. This decision was arrived at after discussing the US plan to recycle and reinvest surplus oil revenues through a fund set up among the industrial nations, and in place of this suggestion, the IMF is to be the channel for such loan arrangements. A fourth decision is to provide within the "oil facility" a special account for the 30 most seriosly affected countries (see Vol IV page 361) from which they can borrow at low interest rates. It is understood that 1.3 billion SDRs out of the 5 billion SDRs will be available in this Special Account, from which the 30 countries can borrow at 2 to 2.5 percent rate of interest, instead of the usual 7 percent. The cost of this subsidy will be $ 65 million. A fifth decision was that under the IMF a solidarity fund for the 24 members of the OECD of $ 25 billion for 2 years will be created. Each of the countries will contribute to the fund according to its GNP and foreign trade, and the quota of each country will determine its borrowing rights, to which it can turn as a last resort to meet its balance of payments deficits. Thus while the special oil facility will be of use to countries like India, the solidarity fund will be of help to countries like UK which faces a large trade deficit. Finally on the question of linking SDRs to development assistance, no decision was made because of the sharp differences of views between the developed and developing countries, and so the question has again gone into cold storage. Even the U.S. proposal to use the profit on the

sale of IMF gold stock to help developing countries was opposed by France on the grounds that the gold belonged to the members who contributed it, to whom should accrue the profits. This further step in the world monetary situation is still a kind of groping in facing of fluctuating exchange rates and unbalanced trade, caused by inflation and high oil prices, with little of the new structures needed to reflect the emerging international realities. One such structural need is for a truly international agency to service and direct international investments.

World Aid: In addition to the $ 150 million (not $ 120 million as stated in the last issue Vol. V page 85) paid in 1974 to the UN Emergency Fund by the ECM, a further $ 100 million was offered by the Community in January, of which $ 33 million was paid into the U.N. account and the rest in bilateral aid to the most seriously affected countries (under which India received $ 50 million as noted earlier). In addition the members of ECM have pledged $ 200 million in bilateral aid to these countries plus $ 50 million in food aid. The Community is to review its total contribution to the Emergency fund in June to ensure that it is being made in accordance with the criteria set forth by the U.N. OPEC countries disbursed $ 8,600 million in aid between January and September 1974, of which $ 6,200 million was in bilateral aid and the balance multilateral aid, through the Islamic Development Bank, the Special Fund of the Inter American Development Bank, the Special Arab Fund for Africa, and the OPEC Development Fund. $ 3,900 million was in non project aid and $ 2,300 million in project assistance. In addition they contributed $ 3,100 million to the IMF oil facility. The largest donors were Iran ($ 2,800 millions) and Saudi Arabia ($ 2,400). In execution of the decision of the Non aligned summit conference at Algiers in 1973 (see Vol. IV page 715) "A non-aligned solidarity fund for economic and social development" was set up in mid January at Kuwait with a capital of $ 300 million to finance the development of non-aligned countries. 16 non-aligned countries participated in the initial draft, which will be finalised at a meeting of ministers in Havana in March. Each member will pay a fixed subscription, the same for all, in convertible currencies and above this, oil producing countries will make additional contributions which will be the base of its investments in the development programmes of the non-aligned countries. Apart from this universal programme, Kuwait has set up a $ 300 million fund for financing development in the Arab States, and Saudi Arabia another $ 300 million fund for development of underdeveloped Muslim countries. This proliferation of development funds is good because of the vast needs, the stagnant aid trends of the rich countries, and the tailoring of the funds to differing needs and situations. If there was a U.N. Investment agency, the channelling of investible resources from the oil rich countries will be considerably aided. In this connection the World Bank forecast of the growth of oil producing countries is significant. In current dollars, the reserves will be 170 billion this year ($ 154 billion in constant dollars), $ 653 billion ($ 411 billions) in 1980, and $ 1,206 billion ($ 567 billion) in 1985. This is also the OECD forecast, both of which are based on an 11-12 percent annual growth of oil consumption. Within these huge reserves, 5 countries with a population of 11 millions (Kuwait, Libya, Saudi Arabia, Qatar and UAE) out of the 278 millions of OPEC countries' population will have the highest growth rates from $ 170 billion this year to $ 453 billion in 1980, and $ 996 billion in 1985, which is 75 percent of the total OPEC reserves. They cannot spend this

money and need investible channels. The second group of 4, (Algiers, Iraq, Venezuela and Iran with a combined population of 68 million will increase their reserves from $ 50 billion in 1975 to $ 171 billion in 1980 and $ 197 billion in 1985 and will also need to invest outside. The third group, Nigeria and Indonesia with a population of 198 millions will have a falling trend, from $ 14 billion this year to 29 billion in 1980 and $ 13 billion in 1985, as they have a large back log of investments to catch up.

World Food: Following the World Food Conference (see Vol. V, page 16), the world food security plan adopted by the FAO Council is beginning to produce results. The decision of the conference to establish a minimum 7.5 million tonnes of grain to rush supplies to the most seriously affected countries, including India whose food needs upto October 1975 is assessed by FAO to be between 3.4 and 7.4 million tonnes, is being put into operation. Food aid to India under this programme will be in addition to the 5 million tonnes that is being imported, as noted earlier, which means that the public distribution system in the country should have a minimum of 8 million tonnes at its disposal. FAO calls attention to serious food shortages also in Bangla Desh, Mali, Mauretania and Niger and under its global food information and early warning system has issued advance warning of food deficits in Honduras, Burma, Pakistan, Lesotha, Somalia, Yemen, Burundi, Ethiopia, Gambia, Ruanda, Tanzania and Zambia—to whom it is directing the world food grains stocks as decided by the world conference. It also reports a decline in world rice production in 1974 by 3 million tonnes, the entire shortfall being concentrated, because of bad weather. in the rice importing countries of Asia, while exporting countries increased their production. However it concludes that, with world export availabilities in rice being larger in 1975 than in 1974, and part of the demand being diverted to less expensive cereals like wheat, the importing countries' demands can be met in 1975. 1974 was a bad year with sharp increases in world rice prices, a decline in trade volume, but a rise in value because of the high prices. This year prices should be lower and larger exports are available from the U.S., where the output has increased and the internal demand has fallen.

World Paper: A U.N. study forecasts serious paper shortage. By 1978 the paper and paper board deficit will be 16 million tonnes, 10 times the deficit in 1974. The developed countries which exported 3.5 million tonnesin 1974 will face a deficit of 11 million tonnes. Prices have shot up from $ 187 a tonne to $ 250 in North America and $ 600 in Asia. The cause is profligate consumption in rich countries, poor investment and the environment protection demands. It is necessary, the study holds, to build 150 new paper mills in the next 4 years at a cost of 10,000 millions, develop forests and get the developing countries who have 55 percent of the world's forests and produce only 4 percent of the world's wood pulp to enter this field fully.

Mankind at Turning Point: This successor study to the club to Rome's first study limits to Growth (see Bulletin Vol II No. 5 page 11), shows maturity, and some advance in analysis and prognosis as a result of the world wide debate provoked by the first study. The main conclusions of the present study are: (a) the various crises afflicting the world, food shortage, energy crisis, population growth and the growing gap between the rich and the poor are a single long term global development crisis and calls for a global attack a new world economic order and a global resource allocation

system : (b) this emerging global system and its integrative effect on all facets of world developments leads on to the concept of organic growth : (not no growth or growth only) as opposed to undifferentiated growth : (c) regional diversities are taken into account and based on cultural, environmental, natural resources endowment and stage of development, the world is divided into 10 regions (US and Canada 1, West Europe 2, Japan 3, Australasia and South Africa 4, USSR and Social Europe 5, Latin America 6, North Africa 7, Middle Africa 8, India 9 and China 10) and alternative patterns of long term development using a computer based planning model is attempted: (d) this multi level, scenario oriented computer model deals with the gap between developed and developing countries and various scenarios are traced by increased financial flows reducing the gap from 20 to 1, to 5 to 1, and 3 to 1, and stopping over-consumption caused by overdevelopment: (e) the population time bomb is next analysed and the scenarios show the positive effects of a population control policy now in saving 500 million children in South Asia by 2,025 to delaying the policy and the resulting 170 million infant deaths: (f) the food supply scenarios show that by 2025 the protein deficit in South Asia will reach 50 million tonnes, calling for an import of 500 million tonnes of grain. Another scenario show making available the necessary inputs and yet another the effects of attempting the goal of self sufficiency in South Asia. Here the study deals with vague generalities and leaves one with a sense of unavoidable catastrophe: and (g) on energy, it warns that mankind is entering a Faustian bargain in concentrating on nuclear energy (for which for the four-fold population increase it will have to build 2 nuclear reactors per day) instead of concentrating on solar energy. This is sound, except it is not an either or proposition. R & D on solar energy is a must. Whether one agrees with the details of the analysis in this second study or not, the moral is clear and unavoidable, of our problems being interdependent and having to be solved as a system jointly.

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II Agricultural Development

Paddy :

The river fed paddy crop, upto 70 percent of the crop over 35 lakh acres is not doing badly in the State, while the tank fed areas have suffered from lack of water and are at various stages of withering. The drawal from Mettur was stopped from February 10, the drawals being staggered fron January 15, the level of the reservoir having reached 7.6 metres. In January the Samba harvest started in Thanjavur and by mid January the State Civil Supplies Corporation had procured 12,000 tonnes and the co-operatives 1,000 tonnes. By mid February, the harvest will reach its peak. The procurement target for the Samba crop is 3 lakh tonnes. Apart from the damage suffered by the crop, the procurement and purchase machinery is still not geared for its job.

It will be recalled that at the end of Decembert, he government's ban on private wholesale trading in the entire districts of Kanyakumari and Thanjavur and notified taluks in Thirunelveli, Tiruchi, Coimbatore, South Arcot, North Arcot, Chingleput and Dharmapuri went into effect (see last issue Vol V page 88). In these areas, paddy purchases could be undertaken only on behalf of the government by FCI, Civil Supplies Corporation or the co-operative. Promptly private trading in these areas were halted, while the co-operatives have not been able to take over. Farmers complain that they are not being paid the promised bonus of Rs. 10 plus Rs. 5 as incidentals per quintal, at many places co-operatives are paying the old rates. These need to be rapidly straightened out and the supplies available in Thanjavur with the farmers which is estimated at 1 lakh tonnes procured promptly. For this purpose the 3 lakh small marginal (between 2.5 and 5 acres of dry and 1.25 and 2.5 acres of wet land) and marginal (below 2.5 acres of dry and below 1.25 acres of wet land) farmers may be ignored and procurement directed to the medium and large farmers. To make up for the loss suffered by the drought, the government is launching a summer cultivation programme (a) to raise summer paddy over 5 lakh acres which have irrigation facilities, (b) to grow ragi over 2.2 lakh acres, cumbu over 1.26 lakh acres, cholam over 1.27 lakh acres and maize over 1.15 lakh acres—in all of which there will be inadequate irrigation and (c) to grow pulses as a summer crop over 6 lakh acres in the Cauvery delta. The Union government has approved Rs. 4-5 crores as a short term loan to implement this summer programme. The paddy grown will be the 90-120 days variety and electricity is assured for those with pump sets for 6 hours a day. The Department is stocking the needed fertilisers and pesticides and is tndividually identifying farmers who will be encouraged and helped under this crash programme—which can relieve the cereal shortage at least in the second half of the year.

Research results :

January witnessed the release of 3 sets of new paddy varieties. The Tamil Nadu Agricultural University released two new strains : CO—38 & CO—39. CO—39 is particularly appropriate at this time of drought and shortages, as a short term crop which can be harvested in 90 days. The 25 day seedlings after transplantation can be harvested after 65 days and will yield 4 tonnes per hectare. It can be grown as a Kuruvai or Samba crop and can even be raised 4 times a year with scanty well or tank irrigation. It fits into the situation caused by failure of the rains and late receipt of Mettur water. The other variety CO-38 is a short term, non-lodging, high yielding variety which comes to harvest in 145-150 days yielding 6-7 tonnes per hectare. It is pest resistant and can be grown in Thanjavur as Samba, Thaladi or late Samba and can also be grown in Kanyakumari and Tirunelveli. IRRI, Manila, released 3 new varieties, IR-28, IR-29, IR-30, which are insect and disease resistant, yield 5-6 tonnes per hectare and will become very popular. IARRI, New Delhi, has evolved a new basmati variety, Pusa—140, a high yielding variety, obtained by crossing Basmati 370 which yields 800 kg per hectare with HYV. As a result Pusa-140 which is still in the trial stages yields 5,000 kg per hectare. Similar results have been obtained in groundnuts. Tamil Nadu Agricultural University has evolved a new groundnut variety—AH 7.911 which in preliminary tests yield 2,500 to 3,000 kgs of pods per hectare. The Tindivanam Station has evolved an 85 day strain TVM-10, yielding 2.3 tonnes per hectare and is well suited to multiple cropping and cultivation in rice fallows. Another release by the Tamil Nadu Agri-

cultural University in January was a new onion variety, CO-2, which is a 65 day yielder, at 10 tonnes per hectare. It can be raised as an intercrop with cotton, sugar cane and turmeric and be raised 3 times a year on rain fed lands. The University also announced a high yielding chilli hybrid, K-2, that can be harvested in 210 days and yields around 8.5 tonnes per hectare. The University has further manufactured a Rs. 12,000 pilot plant for extracting jasmine oil—a plant which can be used by a small horticulturalist growing jasmine over one or two acres. The plant should be commercialised and made available to small farmers. The wilt disease attacking coconut plantations (see Vol. III, page 500), spreading vertically through the plant and horizontally through the soil has been subject of research in the Andhra Pradesh Agricultural University, which has resulted in control of the fungus through use of a chemical manufactured by Hindustan Antibiotics. The treatment involves cutting 30 cm of the diseased root and pouring the aureo-fungin and copper sulphate solution over the cut portion and the soil twice within a fortnight. The cost is Rs. 10 per plant. For the State and the Country with its 6.8 lakh hectares of coconut plantations (the second largest in the world, this could be a breakthrough.

Fertilisers :

In the last two issues (Vol. V, pages 12 and 88) reference was made to the fall in the demand for fertilisers in the Country to the extent of 30 percent and its stock piling in some States. As far as Tamil Nadu is concerned, there is a similar fall in demand and some unsold stocks reported in January which is mainly due to the distribution system. The card system of distribution is not working. Farmers with cards find few centres which have fertilisers and waste a lot of time going from centre to centre. The Gram Sevak who is in charge of the card distribution has too many villages and farmers to cover, and is not able to service the individual farmer. More often than not the farmer has to get his fertiliser from the black market paying very high prices. Credit flows have slowed down and despite RBI promises, co-operatives do not have the resources to help the farmer by the fertilisers at the enhanced prices. The result is two-fold. First a recent survey in the State reports that fertiliser use for paddy cultivation has declined by 20-25 percent of nitrogen, 35 percent of phosphates and 50 percent in potash. The Tamil Nadu Co-operative Marketing Federation reports in December an unsold stock of 60,000 tonnes. Second there is a trend to switch from paddy to sugar cane, cotton and groundnut cultivation to recoup the high price of fertilisers. This double tragedy can be avoided if complex fertilisers which are not in short supply are decontrolled for distribution, and the manufacturing firms like Parry, Madras Fertilisers etc are allowed to compete in delivering fertilisers to the farmers.

Tea :

Tea production in the South declined in January-October 1974 to 81.6 million kg. compared to 85.1 million kgs. in the first 10 months of 1973, due mainly to the drought in the early part of the year and the 38 day strike in Kerala (see Vol. V page 20) North Indian tea production however, increased from 269.1 million kg in the first 9 months of 1973 to 283.8 kg in January-September 1974. The Tea Board thus reports that for the Country as a whole there was a 14 million kg increase in tea production in 1974 from 472 million kgs to 486 million kgs. India's tea exports for 1974 was 217 million kgs, mainly to UK, USSR, Middle East and Japan, earning Rs. 190 crores compared

to Rs. 150 crores in 1973. For 1975, the Tea Board's export target is 225 million kgs and Rs. 210 crores. Production in Sri Lanka and Kenya was lower as were their exports. Hence tea prices ruled high, the London prices rising from 42 pence per kg in 1973 to 58.78 pence in 1974. For this year, these gains can be conserved if the plantation managements can so run their operations that they can absorb the higher costs of fertilisers, transport, packing and wages and credit facilities are available to them. Internal demand for tea is rising from 34.5 percent of total production in 1950 to 61 percent in 1973, so that India's export share in the world market has fallen from 45 percent in 1950 to 31 percent in 1974. There is need therefore for tea production to increase, particularly in the south. Also the International Tea Promotion Council as agreed at the FAO and London meetings (see Vol. IV page 496 and Vol. V pages 90-91) should be set up and operate the agreed 5 point programme to ensure a better unit value realisation.

Coffee and Rubber :

Coffee pool receipts upto December 15, 1974 amounted to 85,850 tonnes (a marginal increase over the receipts upto October (see last issue Vol. V, page 90) Despite this low production, exports at the end of December amounted to 52,158 tonnes. For 1974-75, the Coffee Board forecasts a modest coffee crop of 90,000 tonnes and an export target of 55,000 tonnes. Rubber production during April-October 1974 was 69,146 tonnes, an increase of a small 800 tonnes over the same period in 1973, while the consumption of rubber rose by 2,500 tonnes to 75,000 tonnes. This means that for the first nine months of 1974, natural rubber production was 82,438 tonnes, an increase of 962 tonnes over the previous nine months. To increase the produce, it is necessary for the government to raise the price of Rs. 5.20 per kg fixed in 1969, so that the small growers can meet their increased costs and also for the replanting subsidy to be increased.

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III Industrial Development

Salem Steel :

Dastur and Co's detailed project report on Salem Steel was presented in December end. It proposes a total investment of Rs. 518 crores for a 2 lakh tonnes capacity of cold rolled and hot rolled stainless steel, silicon steel and other special mild steels, giving a rate of return of 15 percent. The report also envisages a stage II expansion of the plant to 5 lakh tonnes, and a stage III expansion to 1 million tonnes. Within the first stage, the cold rolling mill complex will cost Rs. 100 crores and will be completed by 1978. The next steps to be taken are : (a) allocation of Rs. 17.5 crores for 1975-76, to compensate in part for the allotment of Rs. 5 crores instead of Rs. 15 crores this year, so that the construction of the plant and facilities might be on schedule : (b) the ordering of the Rs. 50 crores of equipment of which Rs. 25 crores must be imported

equipment, possibly from West Germany on the basis of the credit made available by it: (c) the choosing of the foreign collaborator from among the firms in France, West Germany, US and Japan who have offered to supply the technloogy for the cold rolling mill: and (d) if the foreign collaboration arrangement is finalised by June, then the 50 engineers at present being trained at Rourkela can proceed to the plant of the foreign collaborator for further precise training in the cold mill technology. This project serving the country's expanding dairy, hospital and nutrition programme conforms to the priority criteria laid down earlier and in addition as it pays its way, there should be no further delay in its execution.

Hindustan Photo :

Hindustan Photo Films has increased its production by 40 percent from 3.5 million sq. metres last year to 5 million sq. metres this year, increasing its capacity utilisation from 56 percent to 80 percent and doubling its sales to Rs. 14 crores. The losses on account of heavy silver and solvents have been sharply reduced, from 3,733 kg to 320 kg over world standards in the former case, and from 1.4 kg of film base to 1 kg against the world standard of 0.5 kg in the latter case. Similarly cine positive production has increased from 1.5 sq. million sq. metres to 2 million sq. metres this year, X-ray to 10 lakh sq metres, bromide, paper to 1.4 million sq. metres and 6 lakh sq. metres of converted colour film. With this good and improving performance, the government is having the Bureau of public enterprises study the restructuring of the unit's capital, so that its Rs. 16 crores accumulated post losses can be amortised less burdensomely. In fact the Union Government is so impressed with progress made by the unit, it has declared that the company will meet the entire requirements of the Country for black and white film, X-ray film, bromide paper and converted colour film for the year. This may be a slight exaggeration but the unit has turned the corner due mainly to sound management.

T.N. Chromates and Chemicals :

The Rs. 1.5 crores Tamil Nadu Chromates and Chemicals at the SIPCOT complex, Ranipet, goes on steam in February to produce Rs. 3 crores worth of sodium dichromate, chromium sulphate and sodium sulphate for use by the tanning, textiles, wood and match industries. It has been jointly financed by ICICI, the Indian Bank and TIIC. Its bi-product, sodium sulphate, is to be taken over by Tirumalai Chemicals, a neighbouring concern in the Ranipet complex, in manufacturing detergents.

T.N Chemicals :

Tamil Nadu Chemical Products, Rs. 4.45 crores joint project with TIDCO to produce 3,300 tonnes of sodium hydro sulphate entered the capital market in January to raise Rs. 88.70 lakhs in equity and preference shares. Set up in Karaikudy, it has acquired the efficient and not very costly Mitsubishi corporation technology which dispenses with the use of zinc. Against a current demand of 11,000 tonnes rising by the end of the Plan period to 15,000 tonnes, domestic production of sodium hydrosulphate is only 8,000 tonnes. The new company has the prospect of expansion.

Shriram Fibres :

The Rs. 12.20 crores nylon tyre cord plant of Shriram Fibres went into operation at Manali at the end of December. It has a capacity of 2,000 tonnes of nylon tyre cord per annum. It faces two problems. First with the 60 percent power cut

now in force, the plant cannot now go into full operation and will have either to set up its own generator or wait till after the South West monsoon when the power cut is removed. The second is the supply of its raw material, caprolactum, which it requires at the rate of 2,500 tonnes per annum and which will have to be imported, until the Gujarat factory reaches capacity. Even then the supply might be short by 10,000 tonnes and the quality and price may be an obstacle. At present imported caprolactum is 30 percent cheaper than the Indian product. The technology for the Manali unit has been supplied by Unitika of Japan, one of the major producers of nylon industrial yarn.

Sugar :

In January sugar mills in the State slowly came back into operation after the strike by mill workers (see last issue Vol V, pages 93-94) Apart from Sakthi Sugars which did not stop operation, the Madurantakam, Nellikuppam and Pondicherry mills were the first to restart operations in early January, followed by the 13 others. From January end, the Union government raised the free sale quota from 30 to 35 percent while maintaining the levy price at Rs. 2.55 per kg., Sugar mills have made urgent representations to the Reserve Bank against its directive to the nationalised banks to restrict credit to sugar factories during the current season 1974-75 to the outstandings in the season 1972-73 or 1973-74 and the increase in the bank margin from 10 to 15 percent for levy sugar, and 15 to 25 percent for free sugar. The claim that these restrictions reduce their resources, particularly their payments to cane growers by as much as Rs. 75 crores is really not proven and has to be broken down and examined on a case by case basis.

Cement :

As noted earlier, the cement industry in the State is in a bad way as a result of the 60 percent power cut. With improved supplies of coal in October, production ran to 90 percent of the rated capacity of 2.68 lakh tonnes per month. With the 40 percent power cut, production dropped to 1.1 lakh tonnes in December and with the 60 percent power cut in January, production reached a low 85,000 tonnes. Unless the units have atleast 75 percent of their needed power, they will not be able to meet their export obligations of 20,000 tonnes per month plus the needs of this State at 1.2 lakh tonnes per month and that of Kerala at 50,000 tonnes. As a tonne of cement is earning $ 50, to safeguard foreign exchange earnings—and meet the obligation to Iran (30,000 tonnes in addition to the 36,000 tonnes exported and 30,000 tonnes to Bangla Desh),—power from Kerala and Andhra Pradesh must be sought for this industry.

Yarn and Handlooms

SIMA, Coimbatore reports a 20 percent reduction in yarn production in November due to the 30 percent power cut in Andhra Pradesh, 35 percent power cut in Karnataka and the go slow tactics of Tamil Nadu mill workers over the Bonus issue (see Vol. IV, page 693, and Vol. V, page 28), November recorded a limited offtake so that stocks at the end of the month were the same as at October end at 60,990 bales of 180 kg. With the 40 percent power cut in December and 60 percent in January, production in Tamil Nadu also declined and wiped out the unsold stocks problem. Allowing for yarn consumption by the composite mills, 77,210 bales of 180 kg. was available for the handloom sector. The handloom sector in the State continues to

face serious problems. As at January, Rs. 40 crores worth of handloom products had accumulated in the State and internal and export market channels were not functioning satisfactorily. Yarn prices were fluctuating, falling in November and December but rising again in January. At the 35th meeting of the All India Handloom Board in Madras in January, the textile commissioner recounted all the ills suffered by the decentralised sector, including the malfunctioning of controls but had no programme to alleviate the situation. The State Government has called attention of the Union Government to dangers of allocating the production of the entire standard (cheap) cloth to the mill sector and completely overlooking the potential of the handloom sector to provide the needed saris, and dhotis. The reservation of these items for the handloom sector needs to be rigorously enforced by the Union Government. The only bright spot in this gloomy scenario is that the UK, Denmark and other EEC countries have agreed to the quota free entry of Indian handlooms and as this State produces over 50 percent of these exports, there should be some improved disposal of stocks. Another need is for regulated reasonable supply of yarn, particularly viscose filament yarn for this sector;

Leather :

The problems of transition from the export of raw hides and skins to finished leather and leather goods has a price as noted in earlier issues (Vol. IV, page 689 and Vol. V, pages 23 and 24). Between April and November 1974 exports of tanned hides and skins fell by Rs. 34 crores and might fall by Rs. 50 crores by the end of the year. This is due to a slump in the international market expressed in a steep fall in world prices of raw hides and skins. The Government is considering therefore imposing an export duty to discourage further exports of tanned leather and use the proceeds to subsidise export of finished leather and leather goods. This may result in a 15 percent cut in export quotas and affect tanneries further, which will have to adjust to the new markets abroad. Exports of finished leather increased 300 percent from Rs. 6.44 crores in that period (but well below the targetted Rs. 50 crores, leather goods exports were Rs. 108.41 crores, down by Rs. 17.21 crores compared to last year's first 8 months). It is unlikely, under these conditions that the year's export target of Rs. 205 will be attained. The moral for the industry is clear to concentrate on finished leather whose world prices have fallen only by 15 percent and turn away from raw hides and skins, whose world price decline is 50 percent.

Private Sector Reports :

Madras Rubber's report for the year ending September 13, 1974 shows a sizable increase in sales by Rs.19 crores to Rs.59.35 crores, and production of 700 truck tyres a day against the annual capacity of 4 lakh tyres. It has a licence to manufacture 1 million tyres and tubes, 2,50,000 of which should be transferred to Arkonam, a backward region, which will become effective when the power cut is lifted. The Arkonam unit with a capacity of 2 million bicycle tyres and tubes has started trial production and the Goa plant is being expanded from 4 lakh to 8 lakh automobile tyres and tubes. The annual report of Madurai mills for the half year ending 30 June 1974 records a sale of Rs. 2,437 lakhs (Rs. 3,416 lakhs for all of 1973) exports of Rs. 5.23 crores, and increasing use of Indian long staple cotton, in addition of course to medium and short staple varieties. Ambasamudram's weaving capacity was increased to 400 looms with its own captive generation—860 KVA Skoda generator. 4 more Skoda genetarors are being import-

ed and installed in Madurai and Ambasamudram. From 1 January 1975, the company will be functioning uuder the name of Madura Coats Limited. Cauvery Sugars and Chemicals' annual report for the year ending June 1974 also records, a good turnover of Rs. 421.59 lakhs (up to Rs. 15 lakhs). During the year, 2.34 lakh tonnes of cane was crushed with a recovery of 7.85 percent—which was low because of poor cane quality and a strike in the factory. The Cauvery factory's capacity has been increased to 1,250 tonnes cane per day and a further expansion to 1,750 tonnes cane per day is under consideration.

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IV Education, Science and Health

Unrest in Educational Institutions :

Of the 9 incidents of violence, strikes and unrest reported in schools and colleges in January, a listing of the causes of the incidents is revealing. In the first case, it was a demand for better buildings and furniture and sanction of dearness allowance leading to blocking the road with benches, (Madras). In a second case it was a demand to abolish compulsory attendance, removal of incompetent teachers, better hostel facilities and cheaper mess, leading to seizing the administrative block and smashing of university furniture and window frames and the indefinite closure of the Uuiversity (Jaipur). A third case was due to brick-batting to distrurb the student union elections, leeding to police lathi charge and arrests (Lucknow). A fourth was the demand for trains to stop at a station convenient to the students, leading to the detaining of all trains for 12 hours all night (Madras). A fifth was due to the Delhi Bandh organised by CPM trade unions against the wage freeze and for a need based minimum wage, leading to Police bursting tear gas shells (Delhi). A sixth was the demand of post graduate students to abolish the third class in post graduate examinations which was promptly conceded by the university, after which the demand was to make it retro active from 1973 wuich could not be conceded, to raise the age limit for employment of post graduates from 28 to 33 which seems a long academic wait, to employ Masters of Social work in the Social Welfare and other departments, a demand conceded by the government and the publication of the 2 reports on corruption in the university, a demand also conceded by the government—all resulting in the indefinite closing of the University (Bangalore). A seventh case was that of examinees appearing for their final BA/BSc examination not being able to finishing copying, even though they stayed till 8 p. m., taking their scripts home to complete the copying, and forcing the teachers to show them the right places in the text books from which to copy (Burdivan). The eighth case started with students demanding rescinding a syndicate decision holding students responsible for breakages in the science laboratories leading to such mob violence and personal injury that the vice chancellor, pro-vice-

chancellor and the entire syndicate, all of whom resigned (Saurashtra, Rajkot). The ninth was due to post student election ill will, leading to violence in which one student was killed, 10 injured and the college closed (Palayamkottai). In addition because of the doctors' strike, all medical colleges in Bihar closed, executive committee of Marathwada University debarred two moderators because they increased the marks of some influential and well connected students and leaked question papers, and the All India Federation of University and College Teachers have threatened boycotting examinations this year, unless the new UGC scales of pay are accepted, as they have been in central universities and U. P.

Educational Reform :

The State Minister of Education announced that the government has under consideration making physical construction and sports activities compulsory in all schools. What is really needed is to make it part of the curriculam and of the evaluation of a students' educational attain ments. A start could be the minister's suggestion that a minimum mark be fixed for sports and physical instruction for promotion to the next class. She State government established in January a committee to work out the implication of the 10+2+3 pattern recommended 2 years ago by the State Planning Commission (See Vol II No. 9 pages 27-28). The major questions now are (a) where the 2 year post secondary course should be and under whose guidance (b) the adjustment of 11 year school syllabus into 10 years and the training of teachers and (c) the vocational course content of the 2 years course. The path to this long deferred reform was cleared when the last obstacle was cleared the Madras University syndicate withdrew its opposition to the pattern and favoured switching over to it. It left the location of the 2 year course to the committee. Maharashtra has under consideration a restructuration of its educational policy "wherein society will get the returns from the beneficiaries for its investment in education". It is studying the Chinese system under which grants to educational institutions are given in the form of 100 percent student scholarships, repaid later by the students in the form of services to the State or in cash. This is necessary, because only 7 percent of the students are from the poor classes. This denial of higher education to 93 percent of the State's population who contribute the Rs. 165 crores annual education budget, perpetuates the unequal society and so the present system, in which one caste tnstitutions were dominant must be replaced, declared the Minister of Education. Two youth NSC camps against dirt and disease were organised in December/January by 2 Madras colleges, inducting both students and staff into some of the realities of society. This should be done compulsorily for longer period for all students. The proposal to delink jobs from degrees made at the Central Advisory Board for Education (CABE) (see Vol V page 25) is running into the usual administrative and bureaucratic problems, as the scheme is being examined by educators who are among the most conservative in society as well as the employing ministry. This saving of education's mission will of course involve much more work for every one else, who will have their own selection procedures and tests, their training and education programmes and cease being parasites on the education system. This also is the plea of the President of the World Bank who points to misallocation of educational resources, leading to increased illiterates, over emphasis on secondary and higher education and neglect of primary and adult education and consequent educated uemployment, dropouts and wastages all of which

not only distributes unevenly the fruits of development but also threatens development itself. Delinking employment from education can ease the urgently needed redirection of education. A positive development is the formation of a new all India organisation of professional librarians called the Federation of Indian Library Association and Information Centres. One of its main purposes should be to develop libraries and book centres and develop the reading habit, so bady lacking even among 160 million who can read in the Country. Another useful development was the decision in late January of the Historical Records Commission to establish a committee to examine the whole question of destruction of historical records, to ask Union and State Governments to stop destruction of such records as happened in Tamil Nadu and MP till the committee reports and a procedure is established, and to introduce a correspondence course on archives administration, in addition to the regular one year course at the National Archives.

Science :

With the reorganisation of the National Council of Science and Technology in mid January, bringing NCST and the Department of Science and Technology under the Prime Minister, the Deputy Chairman of the Planning Commission becoming chairman of NCST and doubling its membership to bring in all the heads of the agencies engaged in research (CSIR, DAE, ICAR, ICMR, Geology Survey as well as BHEL, DGTD, ISI, Development Commissioner for Small Industries), the Science and Technology Plan (see Vol IV pages 382-383) takes on a new life in terms of its execution. The Prime Minister inaugurating the 62nd session of the Indian Science Congress in early January in New Delhi stated that the government stood committed to the science and technology plan and its policy frame "as a means of mobilising indigenous scientific and technological capabilities to solve national problems". She went on to say that the adjustments in the Plan that resource constraints imposed will be "more tactical rather than strategical in value". With this framework and assurance, NCST should now proceed to implement the plant in all its fullness. The Prime Minister called for urgent research on alternative sources of energy, full use of the innovations developed in national research laboratories, study of varying weather conditions and the development of alternative cropping strategies for different weather conditions. The engineering industry also endorses the Plan but proposes that the priorities should be reformulated, the various engineering research projects brought together into an inaugurated whole, that it distinguish clearly between short term and long term R & D, and back up imported technology with an equivalent technological base and R & D set up which will ensure the horizontal transfer of technology. This will counter the low level of technology now holding up the development of engineering industries in the Country. The problem for the Country is that we are unique in R & D being wholly State owned and directed, while industry is largely in private hands and the bridging of this gap is the major task of NCST. Another programme which should move rapidly is the S & T of materials, ranging from ceramics, quartz, mica and electronics materials to glass fibre, reinforced plastics and liquid crystals. The NCST Plan for R & D in these special materials based on nine criteria will help in replacing imports of these materials, develop indigenous technology and culminate in the growth of new industries and ao create new job opportunities. NCL has developed an indigenous flocculant for sugar cane juice clarification

50 tonnes of which can now be produced locally relieving part of the 2,000 tonnes that are imported. In pursuance of the S & T Plan, CSIR has set up an industry oriented information centre to help better use of research findings by industry, starting with a centre for the chemical industry in Bombay, to be followed by one for leather in Madras, one for food in Mysore and one for aeronautics in Bangalore. Centres for coal and metallurgy are also being planned. In the same manner, to ensure optimum use of manpower and material resources in the CSIR & IIT institutions, an interministerial committee headed by the Director General of CSIR is at work to make available to IITs the research findings of CSIR laboratories and vice versa, to exchange scientists between them and to ensure common use of equipment. The Indian Navy has organised a first multi-disciplinary oceanographic expedition, covering in the first phase called, Oceanavex I the North Arabian Sea to be followed by survey of all continental shelves and slopes, with the participation of the Geological Survey of India, the Zoological Society, the National Geographical Research Institute, the National Institute of Oceanography and AEC. In phase I, 285 parametric stations have been set up, and detailed laboratory studies of the samples of bottom sediments of the Arabian sea are underway. Another development is India's 325 kg. first space satellite which will be put into orbit by a Soviet rocket in a Soviet cosmodrome in April to help in research on ionosphere and X-Rays. Meanwhile in order to keep the continuity of the I year NASA SITE programme (see Vol. IV, pages 644 & 692), the government is planning to buy two more satellites from the U. S. at a cost of Rs. 400 crores, to be launched after the NASA Satellite is returned in 1976 and 1978. The ICAR reorganisation (see Vol. III, page 653) was put into effect in January under which the 3 tier structure, a small policy making Board at the top, a committee for programming and administration and various specialists groups and panels, is functioning. The new system is science centred and not post centred, so that a scientist can advance in his specialisation on the basis of his work, and not by changing to another post and specialisation. The emphasis will be on scientists working in backward agricultural areas and promoting research on the problems of the small and marginal farmers, landless peasants and operational research aimed at speedy transfer of technology from the research station to the cultivators' fields.

Health :

A recent survey of government hospitals in this State and other States bring out their problems of over-crowding, shortage of staff and drugs and paucity of funds. The hospitals in the State need better management and easy access to required drugs to prevent recurring shortages. This is not a problem of finances but one of procedures and management. The family planning programme in the State is moving forward as planned (see last issue Vol. V, pages 100-101) but for the Country as a whole there is need for a more consciously co-ordinated effort. U. P., for instance, decided in January to suspend its incentives in the programme and use the funds for women and children's welfare. This kind of action should be taken on a wider regional or national basis after an evaluation of the incentives programme. ICMR is evolving a new strategy for medical research, involving establishing research priorities (which is a continuing task), and co-ordination with other research bodies—ICAR, CSIR & ICSSR. WHO reports that small pox has been eradicated in the world and Bihar is the last small area with 30 cases, now under control. Now attention should be turned to leprosy, cholera, filariasis

and malnutrition which are our current priorities. The Tamil Nadu Water Supply and Draining Board (TWAD) has worked out a scheme for the treatment of sewage water to recycle it for use by industries in at Madras, who present use 11 million gallons a day which will increase to 22 million galens by 1976, when the Veeranam scheme operates. This could be saved by TWAD's recycling of treated water at its research station at Kodangayur provided the cost for the industries is maintained at Rs· 2—2 50 per 1,000 gallons.

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V Employment

The dock workers strike (see last issue Vol. V, page 101) began on January 16 and brought all work in All harbours to a standstill and made the government call on the Territorial Army and the Navy to unload the food and fertiliser shipments. It ended on January 19 on the basis of an agreement between the Government and the workers representatives under which a series of interim relief are to be paid Rs. 120 for January 1 to July 5, 1974, Rs. 180 for July 6 to December 31, 1974 and Rs. 50 per month from 1 January 1975 —ail of which will be subject to the additional emoluments compulsory deposit Act, 1974. Madras Harbour alone lost Rs. 4 lakhs per day during the strike. Jute workers in West Bengal went on an indefinite strike from January 6 to press their demands for higher wages and bonus. The plantation workers in this State, numbering 2 lakhs are observing a day of token strike on February 12, in support of their demands for a wage increase, similar to that granted to the Kerala Plantation workers (see Vol. IV, page 438). The agreement between plantation associations and unions expired last December and now there is the demand for higher wages in the new agreement. One section of Union Government employees dissatisfied with the D. A. settlement reported on earlier, threaten to go on strike from February 10. The industrial relations situation continues to be disturbed. The Union Government has decided to ratify ILO convention No. 123, regarding the minimum age for employment in underground mines. The convention lays down that the minimum should be fixed by each State, at not less than 16 years of age. The Government is establishing the appropriate penalties for contravention of the convention and an inspection service to ensure its enforcement. With this, India has ratified 30 of ILO's 140 conventions. The effect of education in increasing unemployment is one of the findings of a survey in Haryana. In its developed villages after education the sons of prosperous farmers refuse agricultural employment, raising the number of educated unemployed in the village. In such villages the percentage of those employed in agriculture fell from 61.5 to 52.1 during the last decade, whereas in the backward villages the fall was only 3 percent. Again the demand for agricultural labour increased following introduction of the new agricultural technology in the developed villages but remained static in backward villages.

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VI. Other Items

International Seminar on Social Science Research:

Following the founding of Association of Asian Social Science Research Countries, (AASSREC), in May 1973 (See Vol. III, pages 435-437) an International Seminar of Social Scientists was held in Osmania University, Hyderabad from January 2-5 to discuss and agree upon cross country research on planning, urbanisation, multi-ethnic societies and bureaucracy and national development. Attended by 25 social scientists from 7 Asian countries (10 geographers, 7 political scientists, 4 economists and 4 sociologists) the seminar established 15 areas for cross country research in the 4 themes which were the subject of discussion and exchange. It also began the process of inter-institutional research collaboration between Asian Universities on some of these areas of investigation, and called upon AASSREC to promote the collaborative research programme that it had drawn up.

AASSREC:

The President of AASSREC has called the First Conference of the Association in Tehran in October 1974, to adopt the Association's constitution, elect its officers and establish its programme and budget for 1976 and 1977. At present, 14 Asian countries are members of AASSRE and in addition to them, notices have been sent to seven other Asian countries who did not attend the Simla conference. The draft programme includes on Asian abstracting service, a news letter, 14 cross national research programmes arising out of the Hyderabad seminar, two regional inter disciplinary research teams being financed by UNESCO, exchange of scholars and the second conference in 1977. The financing of this programme which is in part through services provided by the national research councils and in part from an annual budget of $ 40,000, will be on the basis of the UNESCO scale of contributions of each member State.

New International Economic Order:

In pursuance of the decision of the special session of the UN General Assembly in April 1974 to establish a New International Economic Order (See Vol. IV, page 362), a UN working group is at work meeting every two months in Europe to draft a detailed programme embodying the principles of the New Order for presentation to the special session of the General Assembly this September. As the first major initiative in the UN forum by the third world countries, its major purpose is to reduce and ultimately eliminate the growing gap and this to be done on the basis of sovereign equality of all States, rich and poor. At the first meeting in January in Paris, it was agreed that this universal problem calls for a programme of what the General Assembly termed collective economic security expressed in non-reciprocal preferential trade for the poor countries, an international agency for promoting international investments particularly of the mounting oil revenues referred to earlier and a well financed science and technology programme to enable the developing countries to achieve developmental breakthroughs in all spheres, particularly in energy resources.

Education Structure Committee:

The Tamil Nadu Committee on educational structure (10+2+3) held its first meeting at the end of January, and identified the major issues that called for

detailed investigation in switching over to the 10+2+3 system. These include (a) the start of the switching over to the 10+2+3 system. These include (a) the start of the child's schooling, +5 or +6, (b) the problems of compressing the 11 year school curriculum in 10 years, the staging of the 10 years, 5+3+2 or 4+3+3, and the question of the surplus teachers, (c) the major problem of the 2 year post secondary stage, its function as vocational-terminal and/or preparatory to the university, its location in the high school, in the college or in both or in separate junior colleges, the curriculum for this stage and the cost of this stage under varying assumptions. It was decided to reflect over these issues, examine the documentation assembled by the State Planning Commission and the Shukla committee and meet in February with MLCs, representing the teachers constituencies.

Council for Social Development :

The Advisory Committee of the journal, Social Change, of the Council for Social Development, and the Executive Committee of the Council met in New Delhi at the end of January to plan for the twice a year journal publication, its themes, authors and finances. The Executive Committee reviewed the new scheme of salary and allowances and decided, on the recommendation of the Director, on fitting the entire staff, both those on the core budget and those on project budgets, into the single uniform scheme. It also reviewed the budget of the Council and its operation for the current year and the proposed budget for the next year to be presented to the next meeting of the Council.

Vishwa Yuvak Kendra :

A meeting of the Indian Youth Centres Trust was held in New Delhi at the end of January. It reviewed the progress of the construction of the teaching block, and various financial matters and discussed with appreciation the 10 training courses organised by the Kendra during the last quarter of 1974. The major discussion was with regard to formulating the objectives of the Kendra, and in this regard it transmitted to the Programme Committee broad guide lines centering around the objectives of peace and non violence, poverty eradication, democracy, nation building and national development and international understanding and requested the committee to draw up a broad programme and means of action around this philosophy. The Kendra is developing into a major national and international youth forum for training of youth leaders and research into youth programmes.

Indian Adult Education Association:

The second meeting of the Executive Committee of the Indian Adult Education Association was held at the end of January in New Delhi. It noted the programme of study established by the President, the 3 national programmes on non formal education to be conducted by the Bombay and Mysore social education committees and Literacy House, Lucknow and decided that a fourth training programme should be organised at Indore for 15 programme personnel organising non-formal education from Madhya Pradesh and Rajasthan. It reviewed the programme and budget of the Association for 1975 and approved it with some changes in regard to Administrative expenditures. It co-opted the Editor of the journal on the committee, and decided on the lecturer for the Zakhir Hussain Memorial lecture for this year, as well as the conference arrangements in Jubbalpore.

Interdisciplinary Research Methodology Workshop:

For 1975, a Workshop on interdisciplinary research methodology on the theme, Research in regional planning with special reference to the attack against poverty, will be held in Mysore University under the Director, Dr. Parvathamma, Professor and Head of the Department on Sociology, Mysore University. The theme of the workshop would cover the methodological issues involved in the different disciplines in micro level planning aimed at raising the living levels of the local people living in poverty. The purpose of the workshop is (a) to carry forward the discussion started at Hyderabad on inter-disciplinary research methodology with a view to producing some definitions of its content in terms of concepts, techniques and frames, (b) to develop an inter disciplinary research programme on regional planning and poverty to be executed by the Southern Universities and (c) to issue a publication setting forth the methodological issues raised in the last Seminar and this workshop. Participants and paper writers in preparing their contribution for the workshop are provided the following guide-lines: Methods of study, Concepts of Regional Planning techniques, Micro and Macro levels within the region, Problems of Regional planning, Forward, backward linkages and other attributes, Poverty and Regional-local planning: the need for regional planning: problems, policies and execution in order to raise the standard of living, Internal and External factors: Politicization of Empirical situation and pressures: Regional planning: Micro v/s Macro and vice-versa, Advantages and disadvantages: Poverty as Universal and unique problem: the need for definite policies, programmes and implementation, from regional to national. The following members are invited to participate in the workshop: Dr. M. Abel, Political Science, Madras, Dr. V. Anantharaman, Industrial Relations, Madras, Dr. N. Balakrishna Reddy, Geography, Tirupati, Dr. V. K. Chandrasekhara Rao, Political Science, Waltair, Dr. K. H. Cheluva Raju, Political Science, Bangalore, Dr. Gopala Sarana, Anthropology, Dharwar, Dr. Lakshmanan, Sociology, Hyderabad, Dr. G. Mathur, Economics, Hyderabad, Dr. M. Baker, Commerce, Calicut Dr. P. Misra, Anthropology, Mysore, Dr. M. Mediah, Economics, Mysore, Dr. Manzoor Alam, Geography, Hyderabad, Dr. D. L. Narayana, Economics, Andhra University, Dr. Nanekar, Economics, Nagpur, Dr. E. G. Parameswaran, Psychology, Hyderabad, Dr. M. V. Pylee, Management, Cochin, Dr. P. G. C. Panikkar, Economics, Trivandrum, Dr A. Ramaswamy, Economics Chidambaram, Dr. Rama Reddy, Political Science, Hyderabad Dr. C. Rajagopalan, Sociology, Mysore, Dr. B. Sarveswara Rao, Economics, Waltair, Dr. T. E. Shanmugam, Psychology, Madras, Prof. R. Subramanian, Gandhigram: Dr. N. Subramanian, History, Madurai, Dr. V. Shanmugasundaram, Economics, Madras, Dr. Shivamurthy, Statistics, Mysore, Dr. C. B. Tigadi, Economics, Dharwar, Dr. M. V. Thirtha, Education, Bangalore, Dr. Yadava Reddy, Economics Hyderabad. Workshop papers have been requested from:. Economics—Dr. Sarveswara Rao, Dr. Yadava Reddy. Sociology—Dr. Lakshmanan, Dr. Rajagopalan. Geography—Dr. Manzoor Alam, Prof. Munis Raza, Anthropology—Dr. G Sarana. Management—Dr. Pylee. Psychology—Dr. Parameswaran. Political Science—Dr Cheuva Raju, Education—Dr. Thirtha. Statistics—Dr. Shivamurthy. Four resource persons have been invited to assist the workshop. Dr. B. S. Minhas, Indian Statistical Institute, New Delhi, Dr. Ravi Mathi, Indian Institute of Management, Ahmedabad, Dr. Hanumantha Rao, Institute of Economic Growth, Delhi. Dr. Munis Raza, Jawaharlal Nehru University New Delhi.

February Development Seminar :

The paper for the February Development Seminar, Anti-Inflationary Measures by Fr. Devasia, Professor and Head of the Department of Economics, Loyola College, Madras, together with a summary of the discussion of the paper at the Seminar held on February 27 appears as the first article.

Second Article :

A paper, Collaborative Research, appears as the second article.

Book Review :

In the book review section, D. H. Jha's Planning and Agricultural Development is reviewed by Dr. M. Srinivasan, Project Director, MIDS, and L. Raghunadha Rao's Rural Co-operatives is reviewed by Mr. C. Selvaraj, Lecturer in Economics, Madras Christian College, Tambaram.

ANTI-INFLATIONARY POLICY

BY

REV. A. DEVASIA, S. J.

Head of the Department of Economics, Loyola College, Madras

Inflation is undoubtedly one of the major problems of India today—and of many other countries. It is not an isolated problem, but closely related to other equally grave problems such as under-development, unemployment, poverty, oil crisis and recession. No discussion on inflation will be complete and meaningful unless it brings into its ambit these related issues and explores their inter actions.

THE DEBATE ON INFLATION

From the President to the house-wife, everybody discusses inflation to-day. The economist naturally claims a special right to discourse on its causes and effects and prescribe remedies. The Government blames an unkind nature and unscrupulous hoarders and speculators for the evil of inflation. The Opposition lashes out against the Government for its many sins of commission and omission such as extravagance in spending, inefficiency in administration, massive deficit financing and unproductive activities. For industrialists and businessmen, high prices are the outcome of trade union militancy and high wages extracted from them with the support of the Government. But for labour, the main cause of the inflationary situation is the selfishness, profiteering and high living of the employers. The sociologist and the moralist lament over the decline in moral standards, the prevalence of corruption, smuggling black-marketing, tax evasion and other social evils which have played havoc with the distribution system and distorted the price mechanism. For the capitalist, the root cause of evil is Government interference and control of production and distribution embodied in such legal enactments and declarations as the Industries Development and Regulations Act, the MRTP Act, the Industrial Policy Resolution, and the entire gamut of centralised planning we have adopted. The Marxist sees in inflation the very decay of capitalism, since inflation seems non-existent in socialist countries. The demographer too has his explanation: unabated population growth has resulted in unlimited consumption demand and the sky-rocketing of prices. Everybody speaks of the fabulous windfalls gathered by blackmarketeers, speculators and smugglers and the tremendous power of the enormous blackmoney market–estimated between Rs. 6,000 and Rs. 10,000 crores—which has been able to resist every counter-inflationary action of the RBI and the Government.

In professional circles the monetarists consider inflation as the result of excessive money supply and as enemy number one of economic development. They are sometimes referred to as traditionalists, presumably possessing considerable traditional economic wisdom. In contrast, the so-called structuralists hold that inflation especially in developing countries is a natural concomitant of the development process, often due to infrastructural, managerial, technical and organisational inadequacies or other bottlenecks. They

are sometimes referred to as tolerationists. There are also the so-called inflationists, who think that a moderate dose of inflation is a positive stimulus to economic development.

Thus every class of people and every school of socio-economic thought has its own view of inflation. They see the problem from their own angle, partially and imperfectly, emphasise different causes in the generation of inflation, point their accusing finger at some one or other and prescribe their own brand of remedies.

Seminars, conference and consultations are an everyday occurrence. Economists have submitted manifestos and memoranda to Governments and Chambers of Commerce. Reports, research papers and books bearing on inflation can fill libraries. And still, inflation continues to plague our country and many other countries.

Amid all this welter of conflicting and occasionally corroborating attributions and recriminations in regard to the causation and aggravation of inflation, India's large middle class and the larger masses of the poor are suffering the intolerable consequences of spiralling prices. Unorganised labourers, landless agricultural workers, casual workers in urban centres, small farmers, small businessmen, low income groups whose wages are not linked with the cost of living index and the increasing number of the jobless are the worst sufferers. Their meagre income, appallingly low by any standard, has been steadily losing its value owing to currency depreciation. Unemployment is on the increase. Production of essential mass consumption goods is stagnant or increasing at a snail's pace. The public distribution system has been rigged and clogged. The poor are priced out of the market. Millions are on the verge of starvation. They have been enduring the malady of high prices and low incomes for decades and the present seems to offer hardly any relief. In fact, the last two years have been particularly hard for them as prices of consumption goods have shot up unprecedentedly.

And so one naturally asks : is there any remedy for inflation?

INFLATION GAINS MOMENTUM

Although the problem of inflation was with us for three decades, it assumed alarming proportions in 1973 and 1974. This is clear from the following data. The rise in the index number of wholesale prices during the twenty-year period of 1950-51 to 1970-71 is indicated below:

Base 1961-62 : 100)*

Commodities		*1950-51*	*1970-71*
1. All commodities	...	89.2	181.1
2. Food articles	...	93.7	203.9
3. Industrial Raw Materials	...	91.8	197.3
4. Manufactures	...	81.6	154.9

* B.S.R. Rao : "Money and Prices", S L.N. Simba (Editor) Inflation in India. Page 154.

The rise in the index number of wholesale prices of the same group of commodities was very much higher in recent years as shown below:(Base 1961-62: 100) §

Commodities	January 1971	January 1972	January 1973	January 1974	August 1975
1. All commodities	183.3	191.2	213.2	271.1	315.0
2. Food articles	201.1	212.8	245.5	313.3	366.0
3. Industrial Raw Materials	206.5	190.5	222.5	321.2	342.3
4. Manufactures	161.5	171.1	179.4	221.5	253.5

These data show that during the period of 2 years and 8 months from January 1972 to August 1974 prices rose higher than during the 20 year period of 1950-51 to 1970-71; that in 1973 and 1974 price escalation was extremely dangerous.

Although there was an impression that in the history of India's inflation, 1974 might stand out as the peak year, recent data show that 1973 was the real peak year. The overall increase in the index of wholesale prices (all commodities) for 1973 was 26.8 per cent and that for 1974 only 19.8 per cent. The index number of wholesale prices after reaching an all-time high of 330.4 in September 1974 registered a gradual decline since then and reached 315.3 at the end of December 1974 (Base: 1961-62 : 100).

This marginal fall in prices provides no excuse for complacency or for relaxing our efforts to contain inflation. In fact, the time has come to abandon the policy of vacillation and half-measures if the country has to be saved from the kind of galloping inflation which some of the Latin American countries like Brazil and Chile have experienced in recent years and which led to the emergence of military dictatorships. Today as never before there is an awareness among all classes of people that the inflationary situation is really grave and everybody expects the Government to take strong and effective measures to prevent further deterioration in the price situation. Against this background, we shall critically examine some of the policy measures adopted by the Government in recent years and others proposed by economists and others.

Recent Anti-Inflationary Measures:

There are no easy remedies for the complex problem of inflation. Anyone who devises a workable solution to inflation would unquestionably deserve the Nobel Prize. He would be among the world's greatest benefactors. But we cannot wait for such a genius if ever he were to appear. Diverse kinds of remedies—imperfect, partial, tentative, even totally ineffective and counter-productive—have been proposed and tried with various degrees of success or failure in India and in foreign countries. They range from such time-honoured prescriptions as balanced budgeting to the latest Brazilian device of inflation indexation. Some of these attempts are examined in this paper.

1. RBI's Counter-Inflationary Measures: May 30, 1973:

After the recession of the late 1960s, the economy began to pick up gradually

§ Margin, October 1974. Pages 29-30.

in early 1970. The rise in prices was moderate in 1970 and 1971, but assumed serious dimensions as 1972 advanced. To counter this trend the RBI announced a package of measures in May 1973. This consisted of the following steps: (i) The Bank Rate was raised from 6 to 7 per cent; (ii) The statutory minimum cash reserves of commercial banks were raised from 3 to 5 per cent. This measure impounded about Rs. 190 crores of commercial banks' loanable funds with the RBI. The cash reserves were raised to 7 per cent in September 1973 and reduced to 5 per cent in December 1973; (iii) The minimum liquidity ratio relevant for commercial banks' borrowing from the RBI was raised from 37 to 39 per cent; (iv) The minimum lending rate of commercial banks (other than exempted categories) was raised to 10 per cent. This was raised to 11 per cent in December 1973.

II. Economists' Memorandum to the Prime Minister: February 23, 1974 and Semibombla: May 5, 1974:

Among the various policy measures included in the Memorandum submitted to the Prime Minister by 140 economists are the following: a once-over cut in the supply of money by 30 per cent; a ceiling of 5 per cent on the growth rate of money supply in the Fifth Plan; increasing taxation on agriculture and luxury goods; freezing of wages, salaries, dividends and profits; organisation of an effective distribution system; curtailment of borrowing and expenditure by the Central and State Governments. The reaction to the Memorandum and its supplement, Semibombla, ranged from partial appreciation to almost total rejection. Some called it a remedy worse than the disease, others emphasised the possible dislocation of trade and industry and consequent recession and increase in unemployment if money supply was suddenly reduced by 30 per cent. However one may safely conclude that the Memorandum and the Semibombla helped to alert the public and the Government in regard to the gravity of the inflationary situation.

III. Ordinances of July 1974:

The inflationary situation showed no signs of abating. The wholesale price index rose by 30 per cent between June 1973 and May 1974, about 10 per cent higher than in the previous year. The rise in the price of wheat was 60 per cent and rice about 36 per cent—making a mockery of the so-called Green Revolution. Everyone was speaking of a deep economic crisis. Under these circumstances the President promulgated two Ordinances on July 6: The Companies (Temporary Restriction of Dividends) Ordinance and the Additional Emoluments (Compulsory Deposit) Ordinance. The former limited the maximum distributable profits of companies to one-third of the net profits or to an amount required to pay 12 per cent dividend on equity and preference shares, whichever was less. This was to be in effect for two years and expected to cut dividend dispersal by Rs. 50 crores per year and provide additional investible funds for industry. The second Ordinance provided for compulsory deposit of additional wages and salaries for one year and of 50 per cent of additional dearness allowance for a period of 2 years in the case of employees both in the public and the private sector. The funds deposited with the RBI would fetch interest of 11 per cent. These two measures were expected to reduce demand pull inflation by immobilising about Rs. 500 crores. On July 8, the Government imposed further restrictions on the distribution of profits by companies by increasing the time-lag between successive issues of bonus shares from 18 months to 40 months.

On July 17, a third Ordinance was promulgated by the President: The Compulsory Deposit Seheme Ordinance. It obliges all persons receiving income exceeding Rs. 15,000 per year to deposit with the Government 4 per cent of their income; those whose incomes are above Rs. 25,000 have to deposit 6 per cent of their incomes; and those whose incomes are above Rs. 70,000 have to deposit 8 per cent of their incomes. The scheme is to continue for two years and the deposit fetches 8½ per cent interest.

The reactions to those ordinances (which are now laws) were varied. The temporary freeze of wages and salaries was described by a member of parliament 'uncalled-for, unjustified, anti-demecratic, outrageous, atrocious and anti-people'. Trade union leaders strongly opposed this measure. The restriction on dividend was criticised on the ground that it would hurt seriously the middle class who hold substantial shares in companies. But how much of the shares is really held by the middle class in India?

IV. RBI's Now Package of Counter-inflationary Measures : July 23, 1974 :

The new policy announced by the RBI consisted of the following measures: (i) the Bank Rate was raised from 7 to 9 per cent; (ii) the minimum liquidity ratio relevant for the RBI's accommodation to commercial banks was raised from 39 to 40 per cent; (iii) the minimum lending rate chargeable by commercial banks on advances was raised from 11 to 12.5 per cent the minimum lending rate on advances against sensitive commodities covered by selective credit control was raised from 13 to 15 per sent, the rate on export credit was raised from 9 to 10.5 per cent, the rate on food procurement credit was raised from 9 to 11 per cent for the Food Corporation of India and to 12 per cent for State Government agencies; (iv) the maximum rate chargeable by the RBI on advances to commercial banks was raised from 15 to 18 per cent; (v) interest rates payable on all deposits were raised.

V. Supplementary Budget : July 31, 1974 :

Although the primary objective of the supplementary budget was to raise revenue, it was expected to help the Government in its fight against inflation. The supplementary imposts were aimed at raising Rs. 232 crores for a full year, and Rs. 136 crores during the remaining part of the current fiscal year, thus reducing the need for continued deficit financing. A novel tax of 7 per cent on the interest received by scheduled banks on their loans and advances was expected to bring Rs. 60 crores in a full year into the treasury and the banks were allowed to pass on the burden to their customers. The levies on cement, tyres, synthetic fibres, cigarettes, copper, zinc, steel products, plastics, etc., were bound to raise the price of these commodities, but the mass consumption goods of the poor and of the middle class were left untouched.

VI. RBI's New Credit Policy : October 29, 1974 :

The dear or dearer money policy followed by the RBI from May 1973 failed to arrest the inflationary trends in the economy. The need for continuation of credit squeeze was indisputable. However, the needs of the busy season and the urgency for stimulating investment and production to prevent further deterioration in employment and the threat of recession obliged the RBI to announce a new credit policy on October 29, 1974. The Chief feature of this new credit policy was selectivity in the deployment of credit for sustaining investment, augmenting production especially in the agricultural sector and facilitating distribution especially of essential commodities;

The RBI asked commercial banks to attend to the following considerations when they granted loans and advances to their customers : the needs of the priority sectors like agriculture, small scale industries and export industries; the needs of the core sector especially fertilisers, pesticides, transport and power; the need for producing mass consumption goods like cloth, sugar and edible oils and building up an adequate distribution system. They were also asked to prevent the use of bank credit for speculative hoarding of essential goods.

With these objectives, the RBI reduced the cash reserve ratio from 5 per cent to 4½ per cent and later to 4 per cent, thus releasing Rs. 120 crores to the banking sector. The liquidity ratio relevant for lending by the RBI to commercial banks was reduced from 40 to 39 per cent, but maximum rate chargeable by the RBI for accommodation to commercial banks was kept at 18 per cent. The commercial banks were also granted a basic rediscount quota of Rs. 100 crores under the New Bill Market Scheme of 1970. These measures may be summed up as a policy of mild selective credit liberalisation within a framework of credit control to stimulate productive activities in an inflationary situation.

VII. **Central Government Borrowing :**

The Central Government has just completed its borrowing programme for 1974-75. The first two tranches announced in July 1974 noted Rs. 416 crores and the third instalment of December 1974 netted Rs. 75 crores thus making a total of Rs. 491 crores (after repaying maturing loans), against a bndget provision for borrowing Rs. 498 crores. These borrowings are expected to exert some restraining influence on the price situation. The extent of disinflationary pressure exerted by Government borrowing from commercial banks, non-banking institutions and the household sector will depend upon the nature and productivity of Government spending and the actual reduction in the volume of deficit financing resulting from Government borrowing.

VIII **Action Against Smugglers, Hoarders, Foreign Exchange Racketeers, etc.**

The Government of India began its crackdown on smugglers, profiteers etc., in the middle of September 1974. It was the first major attack on the strongholds of black money, though the Government was fully aware of their existence, ramifications and terrible power. The black money market has swollen to perhaps Rs. 10,000 crores, through the operation of foreign exchange racketeers, illegal conversion of foreign exchange, smuggling in and smuggling out, under-invoicing of exports and over-invoicing of imports, tax evasion, under-valuation of property on sale, etc. The arrest of 200 smuggler kings and their henchmen within a month under the MISA, the subsequent arrest of 500 others under the Foreign Exchange Conservation and Prevention of Smuggling Act and the vigorous and determined action of the Government against tax evaders, hoarders of essential goods and profiteers, the denial of recourse to courts, etc., have sent jitters into black money strongholds, reduced their activity and immobilised, at least partially and temporarily, their financial resources used for speculative hoarding of foodgrains and other essential commodities. This seems to be one of the reasons for the price decline noticed in recent months—first in the case of wholesale prices and then in the case of retail prices.

In a democrary, draconian laws are certainly unwelcome and by-passing of the judicial process is undesirable. But black marketeers, smugglers, tax eva-

ders, etc., had their field-day too long, at the expense of national interests The good of the nation and particularly of the poorer classes demands that their anti-national activities should be put down with all rigour and determination, even if it involves locking up a few hundred criminals behind iron bars for a couple of years. In fact, tolerance of crime and inefficient law administration are not the way to save democracy. These only lead to anarchy and dictatorship.

IX. Reduction in Deficit Financing and Government Expenditure :

This proposal receives the widest support from economists and industrialists — and yet the Government finds it impossible to implement it. Undoubtedly there has been tremendous increase in pubilc expenditure during the last two decades — in industry, transport, administration, social services, etc. Deficit financing rose from Rs. 330 crores in the First Plan to Rs. 950 crores in the Second Plan, to Rs. 1,100 crores in the Third Plan and to Rs. 1,006 crores in the three Annual Plans The Fourth Plan was expected to have a moderate deficit of Rs. 850 crores, but it might actually be over Rs. 3,000 crores.

During the Fourth Plan, the growth rate of money supply increased from 10.8 per cent in 1969-70, to 11.2 per cent in 1970-71, to 13.1 per cent in 1971-72, to 15.9 per cent in 1972—73 and to 20 per cent in 1973-74.

All this seems to prove that the primary cause of inflation is massive public sector expenditure supported by deficit financing. The case for a cut in public expenditure seems irrefutable. Some have suggested stricter parliamentary control over monetary and credit policy and even imposition of prior parliamentary approval for the annual increase in money supply; others have advocated less ambitious plans and even plan holidays; others have proposed a total ban on deficit financing.

And yet these suggestions are by no means easy to accept or implement. On what item or items of public expenditure is the axe to fall? In a country where poverty and illiteracy are rampant, a democratic Government can hardly reduce its expenditure on social welfare, health, medical services and education. With tremendous power wielded by organised and militant trade unions as in railways; P & T and banking sectors, the Government can never ignore the demand for higher wages, higher D. A., and higher fringe benefits, even though this would mean aggravation of inflation. For a Government that has solemnly accepted socialism and aims at the reduction of concentration of economic power and prevention of monopolies, deep involvement in economic activities and massive public expenditure become a necessity and a means for achieving its objectives In developing countries where rapid economic development is an urgent social necessity, the Government may have to choose between deficit financing for developmental efforts with inflationary consequences and abandonment of worth while promotional and employment generating enterprises for lack of adequate financial resources. Under such circumstances, there is no duobt that a wise Government would use a reasonable measure of deficit financing in the interest of investment, employment and growth in spite of consequent inflation. In the present situation when the economy is sluggish in spite of all efforts to activate it and the rate of investment and growth is stagnant if not declining, a drastic cut in public ex-

penditure or substantial reduction in money supply is bound to depress the economy further and induce recessionary trends.

There is certainly great need for financial discipline and improvement of administrative efficiency. There is some scope for reduction in non-essential public expenditure. But a substantial cut in public sector outlay seems impractical in today's India.

X. The Industrial Front :

Sustained industrial output is a sine qua non for the control of inflation. Industries in India have been facing various problems in recent years. From 1955 to 1965, the annual growth rate averaged at 8 per cent. 1966 and 1967 were years of recession with growth rate at 2.6 per cent and 1 4 per cent, respectively. 1968, 1969 and 1970 were years of gradual recovery. but 1971 was a dismal year with 1 per cent growth. 1972 saw a rise to 7.1 per cent, 1973 saw a decline to 0.7 per cent and in 1974 the growth rate was probably 1.5 per cent.

For the promotion of industrial output, the required policy-mix should consist of the following measures : (i) maximnm utilization of installed capacity now remaining idle in many industries both in the public and the private sector; (ii) adoption of multiple shift system wherever possible; (iii) planning for projects with shorter gestation period; (iv) priority for power generation and supply; (v) investment priority for industries producing mass consumption goods and for industries producing inputs like fertilizers and pesticides required for the production of mass consumption goods ; (vi) elimination of delays in granting of licences, collaboration approvals, etc.; (vii) higher operational efficiency; (viii) labour-management co-operation by such policies as workers participation in management; a temporary moratorium on strikes and lockouts.

XI. Foodgrain Production :

The problem of inflation has to be tackled primarily in the green fields of India. India's foodgrain production has more than doubled since Independence. It rose from 50 million tonnes in 1950-51 to 108·4 million tonnes in 1970-71. We have had Intensive Agricultural District Programmes from 1960, high yielding varieties of seeds imported as well as domestic, and a Green Revolution though restricted mostly to wheat and certain regions like the Punjab, Haryana and the U. P. We have discussed the urgency of consolidation of uneconomic holdings for decades and passed land reform legislation in all States. We have introduced Marginal Farmers' Development Programmes, Small Farmers' Development Programmes and Agricultural Production Promotion Programmes and made blueprints for a Blue Revolution, a White Revolution and Crop Insurance. We have imported fertiliser and erected fertiliser factories. We have provided concessional credit through a variety of financial institutions. We have had crash programmes for food production lkie the one in 1972-73 which cost the Exchequer Rs. 250 crores and completely failed to raise foodgrain output as the projects were ill-conceived and hastily implemented. The crash programme just crashed as P. N. Haksar put it, but it added to thc inflationary stimulus.

All these efforts have not succeeded in raising foodgrain output substantially. It reached an all-time high in 1970-71 and then stagnated. It was 105.2 million in 1971-72, 95.2 million in 1972-73, 106 million tonnes in 1973-74 and 107 million tonnes (expected) in 1974-75.

With these partial successes and failures, pessimists despair of over achieving a breakthrough on the agricultural and food front. But given our past experience and the lessons we have learnt from our failures, we can still achieve self-sufficiency in food production in the near future provided we accept and implement an efficient and comprehensive development strategy which would include the following measures : (i) adoption of appropriate technology for dry and wet farming; (ii) further scientific research into seeds, plant diseases, pesticides, etc., (iii) judicious use of chemical fertilisers and organic manures ; (iv) high priority for the production of agricultural inputs; (v) suitable price policy both for agricultural inputs and produce ; (vi) adequate credit facilities ; (vii) efficient water and farm management.

For the the control of inflation, there is no substitute for increased foodgrain production.

XII. Distribution of Essential Commodities:

The distribution system is today terribly inadequate, often distorted, sometimes paralysed, unfair and hurtful to the weaker sections of the people and inflation-generating. Producers withhold stocks. Intermediaries with enormous black money at their disposal and sometimes with bank credit hoard stocks of essential goods, create artificial scarcity, raise prices and make windfall profits. Adulteration is rampant. For a vast country like India with its masses of vulnerable population, the creation of an effective public distribution system for essential goods is extremely difficult—and yet absolutely necessary, if the poor and the middle classes are to be protected from the ravages of price fluctuation and the exploitation of profiteers. The complete failure of the take-over of wholesale trade in wheat in 1973 is a sign of the magnitude of the problem and a warning against precipitate action without proper planning and preparation, administrative machinery and adequate stocks. The Minister of State for Industry and Civil Supplies, Mr. A.C. George, speaking at Cochin on February 4, 1975 said that the Centre would soon formulate a national, integrated policy for production, allocation, transportation and distribution of essential articles of consumption. Whatever may be the constituents of this national policy-rationing, sales through fair price shops, consumer co-operatives, department stores, compulsory levy and procurement, creation of adequate buffer stocks in different areas, import of foodgrain, heavy penalties for hoarders and blackmarketeers etc.—it is clear beyond any doubt that an effective distribution system is indispensable for the control of inflation and the protection of the vulnerable sections of the people.

XIII. Import of Foodgrain :

Without import of foodgrain, prices in India cannot be stabilised for some years to come. The plain fact is that our grain output ranging from 100 to 110 million tonnes per year is inadequate to feed India's 574 million people, even if the distribution system is effectively streamlined. The Soviet Union with a population of 250 million and an annual grain output of 175 million tonnes has been obliged to import wheat to feed its human and animal population. China with a grain output of about 250 million tonnes and a population of about 814 million is not self-sufficient. There is nothing against our national pride prestige if we import foodgrain—provided we are able to pay for it. In 1974 with a steep rise in oil prices we have spent nearly 40 per cent of our export earnings on oil import and this may continue until the Bombay High and other places begin to yield substantial supplies of oil. Mean-

while efforts have to be made to increase our exports of sugar, engineering goods, leather and footwear, iron ore, etc. which have favourable markets abroad. For 1974–75 our sugar output is expected to be 40 lakh tonnes and our exports 5 lakh tonnes for foreign exchange worth Rs. 300 crores. With an export of 1 million tonnes of sugar—which is not an impossible proposition—we can import 6 to 7 million tonnes of foodgrain which would help enormously in the war on inflation. In 1973–74, our foreign exchange earnings from leather export (excluding footwear) amounted to Rs. 171 crores. Recently, leather technologists meeting in Madras predicted that by 1978 leather exports would earn for us foreign exchange worth Rs. 600 crores. With an all-out export drive, our foreign exchange earnings can be substantially increased and this will enable us to import the necessary foodgrain to supplement our production. And this is essential for the control of high prices.

CONCLUSION

From the foregoing analysis, we may draw some conclusions. First, the war on inflation has to be fought on many fronts, economic and non-economic, as the present inflationary situation is due to a plurality of causes. We cannot rely on the efficacy of any single counter-inflationary measure, but a constellation of methods vigorously applied does dampen and arrest inflationary pressures. This is just what has happened in recent months.

Secondly, the strategy of anti-inflationary policy should be so devised as to induce no recessionary trends or aggravation of unemployment. A positive policy of stimulating production in agriculture and industry will produce better results in the present stagflationary situation than a merely negative policy of reduction in money supply or cut-back in public expenditure. This latter policy might even be harmful.

Thirdly, inflation has not arisen exclusively from economic and monetary causes. There are certain socio-cultural barriers to development which stifle productive activity and thereby contribute to the creation of imbalances between the supply of goods and their demand. Such barriers are traditional habits, inadequate organization, deficiency of managerial and technical expertise, lack of initiative and self-reliance, resistance to change, experimentation and innovation, explosive population growth and consequent high pressure on scarce consumption goods. These have to be combated vigorously in our effort to produce more and stabilize prices.

Fourthly, it is essential to counteract what is called inflation psychology. If there is a widespread feeling that prices are going to rise continuously, there is great danger that prices will rise. These inflationary expectations have to be reversed by resolute and vigorous Governmental action which will enhance the people's confidence in the competence of the Government to control inflationary pressure.

Fifthly, a country with more than 200 million poor cannot afford uncontrolled consumption by the high income groups. There should be some effective check on their consumption expenditure. Besides, organised labour and white-collar employees must realise the hard realities of the Indian situation; that the ever-increasing additions to their wages and allowances which they wrest from employers by strikes or threats inevitably add to the spiralling of inflation and aggravate the hardships of the unorganised millions of workers and the unemployed masses.

Finally, the Government has a decisive and paramount role in the war on inflation. This role implies not only the due performance of its diverse promotional and regulative functions in the economic and monetary field. It also implies that the Government has the necessary moral authority, integrity, competence and will to administer its laws strictly, punish economic offenders irrespective of their position, correct distortions and disruptions arisingin the distribution, system, prevent extravagant spending and consumption and safeguard particularly the interests of the vulnerable sections of the community. Economic and political regimentation is unwelcome in a free society, but a strict enforcement of laws and a measure of austerity and discipline are essential for the control of inflation in a scarcity-ridden economy.

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Summary of Discussion

In the discussion of the paper at the Seminar held in the Seminar room of the Institute on Thursday, 27th February, the author said that inflation is not an isolated phenomenon but closely related to equally grave problems like underdevelopment, poverty, recession etc., and, therefore, any analysis of inflation had to include these issues as well. The economists, industrialists, the government, political parties and the common man have advanced varying explanations for the causation and aggravation of inflation. Excessive money supply, deficit financing, extravagant spending by government, administrative inefficiency, controls and regulations which hamper industrial production, swift increase in demand for consumption goods due to rapid population growth and smuggling and black-marketing are some of the explanations proferred, emphasising different points of view. An analysis of price rises by index numbers (base 1961-62) for the decades 1951 to 1971 shows a gradual rise from 98.2 to 181.1 for all commodities, while inflation gathered momentum and assumed alarming proportions in 1973 and 1974. All commodities indices rose from 183.3 (January 1971) to 315.0 (August 1974) and food articles from 201.1 (January 1971) to 245.5 (January 1973) and 366.0 (August 1974), affecting disastrously the country's large middle class and the larger poverty sector. The present situation appears to be that there has been some fall in wholesale prices which is not reflected in retail prices and the prices of food grains have been fluctuating. The government's anti-inflationary strategy consists of credit restrictions by R. B. I, recent legislation mopping up surplus purchasing power by compulsory deposits, a determined effort to counter smuggling and black marketing by invoking MISA and a partially successful effort to reduce public expenditure and deficit financing. The earliest of such measures was the package of measures announced by R. B. I., on 30th May, 1973, raising the Bank rate, imposing a higher liquidity ratio and increasing the minimum lending rate by

commercial banks. The economists' contribution to alerting the government to the gathering economic crisis was a memorandum on 23rd February, 1974, submitted to the Prime Minister, supplemented by SEMIBOMBLA, a set of specific proposals calling for a once-over cut of 30 per cent in money supply, a ceiling of 5 per cent on the annual growth rate of money in the Fifth Plan, freezing of wages etc. The worsening inflationary situation lead to the two ordinances of July 1974 and the R. B. I.'s New Package of counter-inflationary measures. The July, 1974, Supplementary Budget was aimed at reducing deficit financing. A concerted attempt to deal with black money and smuggling was made in the middle of September, 1974, by the crack down on smugglers and strict enforcement of foreign exchange regulations, under MISA. Together with the anti-inflationary measures, the government initiated constructive measures for improvement of industrial output, foodgrains production and distribution. A review of the anti-inflationary measures and the present situation makes it clear that the war on inflation has to be fought on many fronts, that the policy should have built in safeguards against recessionary trends and unemployment and reveals that inflation is not purely due to economic and monetary causes, but there is a psychosis which can be countered only by a restoring of confidence in the governments' capacity to deal with price rise and its consequences. Finally uncontrolled consumption by high income groups and the self-centred attitude of organised labour and to the hardships of the country's 200 million poor. The government has a pivotal role in halting inflation not only through its fiscal and regulatory powers, but also through the creation of confidence in the people and the moral authority it exercises.

During the discussion it was stated that the problem we face is of high levels of inflation superimposed on stagnant production rather than a recession due to a fall in production set off by falling demand. The task is to devise an anti-inflationary policy consistent with the manifold needs of a developing economy. A suggested remedy is to deliberately increase, imports of foodgrainh and wagegoods in order to flood the market with adequate supplies, risking an unfavourable balance of trade for one or two years, to bring down prices. While public expenditure is necessary in a developing economy, the current stagnation is because of the specious economy of effecting reduction in plan investment instead of non-plan, non development expenditures. Also the paper omits discussion of the consumer resistance factor. Estimates of growth or stagnation based on G. N. P. calculation had distinct limitations as indices of growth or welfare. In this context an opinion was expressed that increase in internal procurement price is more in the national interest than liberal import policy with drain on foreign exchange. The effect of the economist's memorandum and semibombla with its aim of a 30 per cent reduction in money supply, was the measure taken by the government to impound money in circulation to about 5 to 6 per cent, causing considerable hardship to the common man. The government's policy of deficit financing is contrary to its professions of socialism, as the resulting inflation has imposed great hardships on the poverty sector. The increasing concentration of economic power and the widening of disparities are some further consequences of inflation. An alternative measure for resource mobilisation in raising resources for development lay in higher levels of taxation, as Indian levels of taxation were by international stan-

dards quite low. Deficit financing has not resulted in increased output. Inflation can cease only when expansion of investment will lead so near full employment. The investment projections for the Fifth Plan have estimated an outlay of about Rs. 50,000 crores for an overall growth rate of 5.5 per cent. If actual achievement falls short of this, inflation would be a function of the excess expenditure. Even black money, however unethical or immoral, if channelled into productive investment would be disinflationary.' It was pointed out that an important inflationary contribuent is the gap between cost of production and sale prices, ensuring inordinately high profits. Apart from constraints on production such as transport bottlenecks skilled labour scarcity, excessive demands from organised labour etc., the manufacturer preferred to optimise profits rather than production. An observation was made that the practice of payment in kind prevalent in rural areas could be disinflationary and deserves trial on a wider scale in the present inflationary context. It was stated that absence of inflation in socialist/communist countries was due to massive subsidies. It was also stated that hardships caused by deficit financing and consequent inflation would be of brief duration as, in the long run, these policies lead to higher production and employment.

The paper presents a useful array of the real options involved rather than a mathematical or theoretical approach. However, policy decisions could not ignore the acute distress of the poverty sector due to present inflationary trends and discipline in consumption by the higher income groups and a sense of social responsibility are as important as the wisest government measures in restoring the socio-economic health of the nation.

COLLABORATIVE RESEARCH*

Background :

This Seminar is in a sense a successor Seminar to the Asian Social Science meeting in Simla in May 1973. There we decided upon a frame work of co-operation among Asian Social Science Research Councils and Asian Social scientists. At Simla, in founding AASSREC—the Association of Asian Social Science Research Councils—we erected the scaffolding of inter Asian co-operations. Here in Hyderabad we should fashion the bricks and mortar of the co-operative structure. We must transform the sound policy resolutions of Simla into a viable programme here at Hyderabad.

Planning :

The first area of co-operation between us Asian Social scientists arises from the common background of our colonial cum feudal past with its tragic accompaniment of economic underdevelopment. Hence our commonality is seen in the culture of poverty spewn and nourished by colonialism externally and feudalism internally and our decision to attack this poverty culture and replace it with the culture of what—growth, progress, affluence, welfare, sufficiency ?. It is the process of replacing one culture by another that is called the planning process. Here there are innumerable areas for mutual study, debate and clarification among us Asians. What are the goals of our plans ? Have we discussed them enough in relation to our history, geography and socio cultural traditions, or have we taken the easy way out of assuming that what is good enough for the affluent countries is good enough for us poor countries - that growth measured by the rate of GNP increases based on market determined prices, factor allocations, production patterns and profit maximisation is the goal to be aimed at. In fact we have not discussed our planning goals at all in Asia It is a discussion in which the historian, the sociologist, the political scientist and the geographer should have the predominant voice. The economist comes into this picture at a later stage—to quantify and technify the goals established by such an inter disciplinary diognosis and consensus. But first am I right in stating that we need really to discuss in depth our planning goals and objectives and for this purpose start from where we are today against the back drop of our history and geography.

We also should examine the strategies which are built into the planning process. For some of us the removal of poverty, rather than growth per se has emerged as a goal. But the strategies that are being followed by our poverty eradication plans seems to be no different from those of the growth oriented plans. Why is that ? Is it because that all of us Asian Social Scientists have been so steeped in the intellectual and conceptual traditions of the affluent countries which have had a head start in all social science specialisms that we have not been able to release ourselves from their absorbing and fascinating embrace ? Take the goal of poverty eradication as an example. For attaining this goal we construct the usual 64 X 64 input output tables, we compute capital output

* Extracts from the Presidential Address of Dr. Malcolm S. Adiseshiah at the International Seminar on Indian Regional Corporation in South and South East Asia, which was held in the Osmania University, Hyderabad in January 1975.

ratios, we work out the savings and investment rates and magnitudes that are needed. We calculate the balance of payments consequences and constraints and finally check to ensure the consistency of the overall growth rate with the growth rates in the various sectors and sub-sectors of the model. And to this classical model we add the refinement of what amount of resources must be transferred from the bottom deciles who are the rich and well to do sections of our society to the top deciles who are the poor majority in order to alleviate poverty and even then we make sure that these transfers do not influence the predetermined growth rate in a downward direction. On the other hand poverty eradication has to do with basic structural changes-property relations, factor ownerships, wealth concentrations which follow the kind of organisation from family holding, feudal and semi-feudal ownership of land, private partnerships on to our giant corporate enterprises and monopoly houses. How far and how much of our plan strategies analyse these organisational structures and propose the new organisations—the organisation of the landless agricultural labourers, the unionisation of the large work force engaged in our unorganised sectors, and the banding together of our growing unemployed urban proletariat. Asian development is thus basically a problem of organisation and not a progress of GNP growth. If this is so, I believe there is here a large area for individual and co-operative research among Asian sociologists, political scientists and economists in the study of the existing organisations and structures of our society and the new organisations that must be developed as a means of fashioning the appropriate strategies for our plans.

Plan Implementation

Another area of co-operative research for us Asian social scientists is with regard to plan implementation. In what I have already said about plan formulation, there is assumed that there are built into it a set of realistic and consistent execution policies which flow from the strategy. One common problem that confronts us is the growing gap between our formulated plans and their physical achivements. The causes for the consequent lags and losses should be the subject of inter disciplinary cross country co-operative investigation. There are the substantive factors, such as that this region of Asia which was a foodgrains exporter before World War II has now became a major importer of cereals: there is the problem of declining or static savings and the heavy reliance on the draft on external savings in various forms and the disequilibrium caused by the relations between wages, savings and projects: there is also the constraint of poor and inadequate infrastructures with their spatial overtones in what we have come to call backward areas and regional imbalances: and there is the constraint of limited skilled labour supply, lack of R & D and the continued reliance on expensive, inappropriate foreign technology. There are also the organisational and structural constraints to plan implementation to which I have earlier referred. And then there are the behavioural, procedural, and management problems that enter into the penumbra of plan implementation. The technical, spatial, social and human constraints to planning and plans fulfilment in each of our countries is, I believe, a fertile field for collaborative research among us Asian Social scientists.

Urbanisation :

In the process of our planned development, there seem to be some exogenous variables. Urbanisation is one such. It has become common practice to establish positive correlations between various socio-demographic indices such as urbanization, spread of mass media, the degree

of literacy, electric-energy steel consumption on the one hand and the institutional ability for sustained growth on the other. I wonder however if we should simply assume for Asia the historical experience of the affluent countries, namely a relative continuous expansion of indices of social mobilisation along with a growing structural specialisation on the one side and the institutional ability for sustained growth on the other. I would pose this as a question to be researched. We could start with some of the more elementary cross country issues. Are the growth of towns positively correlated with their size? What is the role of urbanisation in our societies? There is the simplistic portrayal of western sociologists who starting from their own historically valid experience of the close inter relations between urbanisation and industrialisation and applying their norm of a 55 per cent non-agricultural labour force at a similar stage of their development (which was around the 1850s), conclude that Asia with its 30 per cent of such non agricultural working population is over urbanised. Is this true, that in our countries urbanisation leads to industrialisation? Is it true as these portrayals state that Asian urbanisation is caused more by the push factors ("because political insecurity made living in the country impossible or highly dangerous because bandits and insurgents destroyed their homes, their land or their crops") than the pull factors? How far is this differentiation between the decision of where one lives as distinct from where one works so characteristic of the affluent countries applicable to our countries?. These questions must be investigated in our urban situation and it is no use our working within the theoretical frame of the western countries in investigating our urban growth. Can we assume that there is a universal pattern for a metropolitan structure, when the western metropolis is as the place to work functionally and territorially differentiated from its suburbia as the place to live, whereas the Asian metropolis like its suburbs is both the place where people work and live? In fact is it true that in our urban areas it is where we work that determines where we live? Thus if Asian urban agglomorations are not territorially and functionally differentiated, then urban planning in Asia cannot be simply a "civic" problem, as it is in Paris, Tokyo, New York or London, that is, limited to how many parks there should be, where they should be located, what types of road to have and where, how many more hospitals, schools and reading rooms are needed—all settled by drawing the ring of the concentric circles. On the other hand, in our situation, not only is metropolitan planning unique to each city and town with its characteristics and specific net work of relationships, but the relationships between the city and the suburbs, between the suburban towns between town and rural areas and cities and rural areas take on an air of specificity which demand the kind of specific investigations which await us social scientists.

The political back drop

This kind of developmental planning takes place against a political background in our countries which calls for our attention and forces us back to multi-disciplinarity. We can call them by any one of the new terms with which we are becoming familiar, macro-sociology, political geography, Asian economics. What ever the name, to analyse the problem we have to go beyond the study and use of methodology which can either be an empty box or can be the subject of quite useless arid theoretical hair splitting and controversy. I believe that inter disciplinary or multi disciplinary studies are rather advanced by asking specific questions and answering, analysing and debating them on the basis of strategi-

cally important examples. On the many issues raised by the problem faced by plural societies, which in a sense all our societies are, for instance, we might ask and analyse the question, why are the Swiss an integrated nation and why is this not the situation with our countries in Asia. Or take a strategically important example, our complex societies which are associations linking the ruling authority with their subjects as an instance of some of the issues involved in bureaucracy and political development. Here we can start with a simplistic model of the set of organisational relationships and legitimation processes liking the governing power, the bureaucracy and governed. One of its aspects that calls for particular investigation by the political scientist, ethnologist, psychologist and other disciplinarians is the historically new governmental form of bureaucracy and technocracy that the emerged in our societies. Included in this investigation could be the hypothesis that the movement of society is determined by the degree to which its bureaucracy can be controlled and its structure by the extent to which the people can be manipulated. Such comparative analysis, cross national inter sectoral and multi disciplinary, represents the first step in answering the questions that I have placed before you as examples. From there we can move on to a more generalising method of analying the multi faceted features and the conditions for the functioning of and changes in the chosen strategic areas that characterise our societies.

Organisation :

There is one more essential area of co-operative research to which I wish to call your attention. Because of the time lag involved and because of its demonstration effect, the organisational features for research in the natural and physical sciences have exerted and are continuing to exert a profound influence on the developing organisations and structures for research in the social sciences. And basically this is right because there is the same need as in the natural and physical sciences for the organised contribution from the social sciences to the growing demands for knowing and directing the behaviour of men and societies that emanate from our governments, from industry and increasingly from our mass media. Our universities can to some extent meet this demand, but not substantially without losing their essential vocation to be transmitters of knowledge and to push back its frontiers, particularly in the twilight areas. For the major part of the answers we need to develop special social science research structures which however should not deplete the universities of their specialists. We need to investigate and work out our own organisational forms which will harmonise the spontaneous supply of skills that the universities represent with the full time demands that are increasingly being made on our economists, sociologists, geographers, political scientists and psychologists for the purposes of economic programming and social planing, which we have discovered to be an irreversible part of all developmental planning. A second reason for the parallelism of the organisation of research in the natural sciences with that in social sciences is that though the latter do not make anything like the growing claims that research in the natural sciences and technology make on national resources social science research has today in our countries reached the point when it does need sizable resources, if it is to be effective and to deliver the goods. Here I speak from some experience in evaluating the structure of and needed resources for social sciences research in this country, wherein I concluded that there

is need for a policy in social science research to be backed up by resources amounting to 5 per cent of the 1 per cent of GNP proposed for financing the established policy for research in the natural sciences and technology. This was also the agreed recommendation of the Asian Conference of Social Sciences meeting at Simla in 1973.

But the question which we should examine from the point of view of Inter-Asian co-operation in social sciences research and from the point of view of the national demands made on it by the particular developmental situation in our countries is whether there should be a comp'ete organisational assimilation of social sciences research programming and planning with that of the organisations for research in the natural sciences and technology. For some parts such as the growing inter-action between research in the soil, natural and biological sciences and the social sciences and the inter disciplinary investigations of problems like water use and planning, land reform, high yielding variety seeds and fertiliser usage, family planning, use of capital intensive technology, such as similation or parallelism is needed. But there are developmental areas where such assimilation can be dysfunctional both from the organisational and application points of view. From the organisational side, social science research must maintain a certain degree of spontaneity and should not as in the case of the natural sciences and technology research become completely institutionalised. There are areas such as the problems of bureaucracy and political development, the processes of urbanisation and the plural societies where a tight institutional frame will hinder and not help creative research. Even more serious is the fact while the instrument for application of the natural and physical sciences is technology, the application of social sciences is through the instrumentality of the over flow of ideas, ideologies and concepts. This flow is a two way stream from the social sciences to real life of the individual and society and from life back to the social sciences. Such social science specificity is probably the hallmark of the initial efforts of social science practitioners in our part of the world, and calls for nurturing and cherishing organisational forms and structures which can continuously create conceptual frames borne out of our own realities. This may well be a fruitful area of exchange of information and experience between Asian social scientists.

The task

I have attempted to draw a pen picture of some of the issues that we will be concerned with in identifying areas of collaborative cross cultural research which we as a group of Asian social scientists, universities and institutions can undertake. That is the main task of this seminar — to identify such areas of co-operative research and if possible agree on who will do what, where, and how. For discharging this somewhat exciting but onerous obligation we have three resources at our disposal in this seminar. The first is our host university of Osmania, its kindly Vice-Chancellor, scholarly staff and students and the happy environment which they, the University Grants Commission, the Indian Council of Social Science Research and the historic city of Hyderabad provide. Our second resource is organisational — the Association of Asian Social Science Research Councils which I referred to at the start and which provides the frame work within which we can implement our decisions at this seminar. Our third resource is the participants of this gathering who bring with them the scholarship of their disciplines, the concerns of the government and people of their countries

and the varied and rich experience and expertise that they have built over the years in meeting the demands made on them. I want in this regard to welcome warmly on behalf of our many hosts, the scholars from the other Asian countries who have joined us at this seminar. I hope that their stay with us here will be satisfying and fruitful both personally and professionally. It is to the realisation of that hope embodied as building further understanding, co-operation and common work among us Asian social scientists in the service of the people of our continent that I call you. Let us together respond effectively to that call.

BOOK-REVIEW

(i)

PLANNING AND AGRICULTURAL DEVELOPMENT

A Study with reference to Bihar

BY

D. N. JHA

(SULTAN CHAND AND SONS DELHI Rs. 30; pages 232)

This study is the outcome of three years of research work carried out by the author in the Indian Institute of Public Administration and has been published with the assistance of a publication grant by the Indian Council of Social Science Research. The study tries to evaluate the effectiveness of agricultural planning in Bihar on the basis of both documentary evidence and field study and observation.

The second chapter is devoted to an analysis of the role of agriculture in economic development and the appraisal of agricultural programmes at all-India level in the first three five year plans with a clear analysis of the factors that led to a setback in agriculture in spite of fifteen years of planned effort.

The third and subsequent chapters are exclusively devoted to the first three five year plans of Bihar and the last chapter is devoted to agricultural development in the fourth five year plan of Bihar. The main problems examined in the study relate to organisational arrangements relating to land reform measures, research to improve production possibilities and extension education programmes, institutional arrangements such as credit and marketing and facilities for supplying new and improved forms of inputs such as irrigation, fertilisers, improved seeds, pesticides etc.

The achievements in the field of agriculture in the first two plans of Bihar are analysed in detail in the third chapter while the fourth chapter is devoted to the organisational and institutional factors. The analysis reveals that the process of acquisition of intermediary interests has been slow in the case of land reform. The system of crop sharing has continued even after the abolition of intermediaries and denies large numbers of actual tillers security of tenure and fixity of rent. As regards ceiling on holdings the author states that landholders were able to retain large areas which made ceiling infructuous and hardly any surplus was left for redistribution.

As regards research, the total research programme undertaken by the government of Bihar was hardly adequate to meet the increasing needs for improved agricultural practices coupled with lack of properly trained extension services.

In the co-operative picture, the usual high percentage of overdues is encountered along with diversion of credit to well to do cultivators and exploitation by local

money lenders and middlemen is still rampant.

Progress of agricultural production in the Third Five Year Plan shows failure to reach the target of the three main crops of Bihar namely jute, sugar-cane and oil seeds and the inadequacies of supply of inputs are analysed in detail.

Chapter six is devoted to the Intensive Agricultural District and Area Programmes. It was found that the main stumbling block was that the farmer was not able to get all the fertilisers, pesticides and implements that he required because of the inadequate supply of these inputs.

A separate chapter is devoted to the irrigation programmes in the Third Five Year Plan of Bihar. An additional potential of 6 lakh acres only was created against a target of 27.82 lakh acres and the shortfall was as big as 21.82 lakh acres, in the case of major and medium irrigation. As regards minor irrigation works better progress was made in Bihar and against a target of 10.64 lakh acres of additional irrigation potential to be created in the Third Plan, the actual achievement was 9.65 lakh acres.

The study is a detailed one and great pains have been taken to analyse a mass of data and reach conclusions which are not only valid for Bihar but for other states as well. Thus the crucial role of water management has been stressed and this is an all India problem. Other aspects dealt with are also extremely relevant to the present day malaise agriculture is suffering from.

There is a useful epilogue dealing with agricultural development in the Fourth Five Year Plan of Bihar bringing the reader upto date. There is also a usefui bibliography at the end which will be of assistance to research scholars.

The publication is timely and thought provoking and contains a mass of useful statistical data on a multitude of subjects of agricultural importance and so will be of great use to administrators concerned with planning and research scholars who lend their energies to similar studies in other states.

M. SRINIVASAN.

(ii)

RURAL CO-OPERATIVES

BY

L. RAGHUNADHA RAO

PUBLISHER : (SULTAN CHAND AND SONS, DELHI 1974

Rs. 30/- Page 213)

This is an age noted for dynamic changes in the patterns of business organisation and management. The role of co-operatives in the context of overall economic growth must be viewed from the point of view of an economy like ours —where there is a dualism in business management in the private as well as

public sector. A government in any economy has three main branches of administration, (a) Allocation Branch (b) Stabilization Branch and (c) Distribution branch. An underdeveloped economy must make the co-operative management yield optimum results in all three activities of government noted earlier.

This study regarding Rural Co-operatives is a micro analysis with respect to Andhra Pradesh. This may be noted as one of its merits as in our country we do not have a great deal of literature in regional studies. At present most of the problems are analysed from the macro point of view. This study gives a comprehensive account of the development and functioning of Co-operatives in various time periods

As it is common in disaggregated studies the author first divides the State into Telengana and Andhra Pradesh and demonstrates by way of time series data as to how the Co-operative movement remained passive in the Telengana region due to feudal dominance. To make the analysis clear, the first chapter gives a topographical account of the various Geophysical factor endowments as a first step in analysing the distribution mechanism viz., Co-operatives.

A further section traces the development of the Co-operative movement during the preplan era. Most of the Co-operative laws passed at that time were mainly an extension of those passed for Madras Presidency starting with the Co-operative Act (1904) and the Maclagan Committee report in 1914. It is suggested that no uniform laws should be enacted in the sphere of co-operatives, because the country is faced with different soil conditions and other climatic differences. Hence laws should be flexible so as to conform to the regional environment. Along with Co-operative societies, land mortgage banks developed as auxiliaries to primary credit societies. The discrepancy in the management of Co-operatives in the two regions is brought out in the following paragraph.

"The two regions, Telengana and Andhra were govered by different Co-operatives till 1964, even though the composite State came into existence on 1st November 1956. The two Co-operative laws of the two regions were repealed and a consolidated Co-operative Societies Act for the whole State was passed in 1964".

After the liquidation of the Hyderabad Agricultural Cooperative Association in 1967, the Andhra State Cooperative Marketing Federation's activities were extended to the entire State. During the course of planning, Co-operatives are viewed as the institutional agency to supply credit needed for agricultural production.

In the first Five-Year Plan, Cooperatives in Andhra Pradesh functioned well, the percentage of overdue to advances falling by fifty percent. Co-operative marketing developed more rapidly in the Telengana region. In the Second Five-Year Plan Co-operatives were put on a sound basis with more branches and diversified activities. The programme was then reviewed by the All-India Rural credit Survey and attention was paid to improving managerial efficiency. There was no noticeable change in the Third Plan period except for some administrative reorganisation. The Fourth Five-Year Plan marked some changes in the co-operative movement. The introduction of HYV programmes necessitated larger loans and the percentage of farm financing through Co-operatives increased. Therefore, the Co-operatives had to follow a "multi agency" approach. This was the trend when there was diversification in the policies of

commercial banks in response to their nationalisation. Farmers are beginning to resort to commercial banks for their loans and this provides a challenge to the working of co-operative banks.

The study could go beyond the quantitative data relating to plan period and could have analysed the problem of utilisation of the loans advanced by Co-operatives. This is a better index of success or failure of the co-operative movement than quantitative information regarding the loan advances. In a regional study such as this, a " Flow-Fund " matrix for the Co-operative Sector could have been constructed to show to what extent the funds advanced are utilised and for what purpose. As a next step, the study provides an analysis of the system of co-ordination between the financing agencies and the Rural Co-operative institution. The external financing institutions are the Reserve Bank of India, the Life Insurance Corporation, the State Bank of India, the Agricultural Refinance Corporation and the National Co-operative Development Corporation. On this there is the wise conclusion; " The growing dependence on external Finance has made the Co-operatives realise that a stage has come to build up their own funds ".

The analysis in this study looks at the financing problems from the point of view of the organised banking system: An underdeveloped country's rural sector which has the characteristic of financial dualism-organised and unorganised sectors-draws much of its resources from non-banking financial intermediaries. The role of such financial intermediaries should not be minimised, because they are the agencies which meet the financial needs of a poor rural farmer who has no easy access to the organised financial system. Therefore the credit policies of rural Co-operatives can be effective only in so far as the role of these financial intermediaries is reduced, if not completely eliminated.

This study which deals with the wide-ranging problems of rural Co-operatives which have become a major source financing farm activities, could throw some further light in the following areass

(a) To show with empirical data that rural Co-operatives can be made use of as an instrument of price stabilsation. Once this is done, there will be a flow of goods from the production source to the marketing centre. Thereby inelasticity of supply can be attenuated.

(b) To study whether there is any economic change through rural Co-operatives in the Telengana region after formation of the integrated Andhra State. It is not possible to examine this issue with the aggregated data provided in the study.

(c) To examine how the non-banking financial intermediaries affect the growth functioning of rural Co-operatives in their financial operations.

(d) To investigate the degree of utilisation of funds allocated by rural Co-operatives. For this a calculation of interest elasticity of loans and operational efficiency of their use is necessary. The study is a useful source book for the student, the planner and the administrator of rural development programmes.

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